

# *City of Pleasant Hill*

## *California*



*Downtown Wine and Art Festival*

*Comprehensive Annual Financial Report  
For the Fiscal Year Ending June 30, 2005*

**CITY OF PLEASANT HILL**  
CALIFORNIA

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2005**

Prepared by

**DEPARTMENT OF FINANCE**

**CITY OF PLEASANT HILL**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2005**

**Page**

**INTRODUCTORY SECTION:**

Table of Contents .....	i
Letter of Transmittal.....	v
City Council .....	ix
California Map.....	x
Organization Chart .....	xi
GFOA Certificate of Achievement .....	xii
CSMFO Certificate of Award.....	xiii

**FINANCIAL SECTION:**

<i>Independent Auditors Report on Basic Financial Statements</i> .....	1
<i>Management's Discussion and Analysis</i> .....	3
<i>Basic Financial Statements</i>	
Government-wide Financial Statements:	
Statement of Net Assets.....	16
Statement of Activities .....	17
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	20
Reconciliation of the Governmental Funds – Balance Sheet with the Statement of Net Assets.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	22
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities .....	23

**CITY OF PLEASANT HILL**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2005**

**Page**

**FINANCIAL SECTION (Continued):**

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
General Fund .....	24
Measure C Growth Management.....	26
Proprietary Funds:	
Statement of Net Assets .....	28
Statement of Revenues, Expenditures, and Changes in Fund Net Assets.....	29
Statement of Cash Flows .....	30
Fiduciary Fund:	
Statement of Fiduciary Net Assets .....	32
Notes to Financial Statements.....	33
<b>Supplemental Information:</b>	
<b><i>Major Governmental Funds Other than the General Fund and Special Revenue Funds:</i></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Pleasant Hill Redevelopment Capital Projects.....	60
Pleasant Hill Redevelopment Commons TARB Debt Service .....	61
<b><i>Non-Major Governmental Funds:</i></b>	
Combining Balance Sheets .....	66
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances .....	72
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual .....	78
<b><i>Fiduciary Funds:</i></b>	
Statements of Changes in Assets and Liabilities – All Agency Funds .....	90

**CITY OF PLEASANT HILL**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2005**

**Page**

**STATISTICAL SECTION:**

Revenues by Source - Last Ten Fiscal Years .....	95
Expenditures by Function - Last Ten Fiscal Years .....	96
Property Values and Tax Levies and Collections - Last Ten Fiscal Years .....	97
Assessed Value of Taxable Property - Last Ten Fiscal Years .....	98
Property Tax Rates - All Direct and Overlapping Governments - Last Ten Fiscal Years .....	99
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years .....	100
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures - Last Ten Fiscal Years .....	101
Demographic Statistics - Last Ten Fiscal Years .....	102
Property Values, Construction and Bank Deposits - Last Ten Fiscal Years.....	103
Special Assessment Billings and Collections .....	104
Computation of Direct and Overlapping Bonded Debt .....	105
Computation of Legal Debt Margin.....	106
Top Twenty-Five Property Owners .....	107
Top Twenty Five Property Taxpayers .....	108
Property Tax Dollar Breakdown .....	109
Taxable Sales by Type of Business .....	110
Miscellaneous Statistical Data .....	111



## City of Pleasant Hill

December 1, 2005

Honorable Mayor, City Council,  
City Manager, and the Citizens of Pleasant Hill

I am pleased to submit the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This report was prepared by the Finance Department, which assumes responsibility for the accuracy of the data and the completeness and fairness of the presentation and all disclosures. The information in this report is intended to present the reader with a comprehensive view of the City's financial position and the results of its operations for the fiscal year ended June 30, 2005, along with additional disclosures and financial information designed to enable the reader to gain an understanding of the City's financial activities.

This Comprehensive Annual Financial Report is organized into three sections:

1. The Introductory Section includes the table of contents, letter of transmittal, listing of elected officials and City administrative personnel, organization chart, and location map.
2. The Financial Section includes the independent auditors' opinion, management's discussion and analysis, the basic financial statements, notes to the financial statements, combining statements of non-major funds, and required supplemental information.
3. The Statistical Section includes both financial and non-financial data about the City.

The Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and includes the report of Maze & Associates, the City's independent certified public accountants.

This Comprehensive Annual Financial Report will be submitted to the Government Finance Officers Association and the California Society of Municipal Finance Officers for consideration for their Awards for Excellence in financial reporting. These awards are granted only to entities whose reports meet the highest standards of municipal financial reporting. This statement should be easier to read and understand for people familiar with business financial statements.



## **THE REPORTING ENTITY AND ITS SERVICES**

Pleasant Hill is a general law city, which was incorporated under the laws of California in 1961. One of the conditions of incorporation was that there would be no property taxes levied by the City. However, in the aftermath of Prop 13, passed in 1978, no/low property tax cities petitioned the State for relief. In 1988, the Trial Court Funding Act amendments included a complex shift of a portion of county property taxes to no/low property tax cities within their boundaries. The affected counties then received some relief from the State as part of the trial court funding settlement. The shift of county property taxes to the no/low cities is based on the Tax Equity Allocation (TEA) formula defined in the Trial Court Funding Act. The property tax revenues reported in the CAFR are a combination of the shifted property taxes received by the City and property tax increment received by the Redevelopment Agency in the two project areas.

Five council members who are elected at large for staggered four-year terms govern the City. The City Clerk and City Treasurer are also elected for four-year terms. The Mayor and Vice-Mayor are elected by the Council from their own ranks and serve for one-year terms. The City Manager and City Attorney are hired directly by the Council.

This report includes all funds of the City of Pleasant Hill. It also includes the financial activities of the Pleasant Hill Redevelopment Agency and the City of Pleasant Hill Joint Powers Financing Authority, both of which are governed by the Pleasant Hill City Council. Financial information for the Pleasant Hill Redevelopment Agency and the Pleasant Hill Public Financing Authority is aggregated and merged with that of the City in the financial statements in accordance with generally accepted accounting principles.

## **ECONOMIC CONDITIONS AND OUTLOOK**

Pleasant Hill covers an area of 8.2 square miles and is located in Contra Costa County on Interstate 680, approximately 32 miles east of San Francisco. The City has an estimated population of 33,638 and a net assessed valuation of \$3,563,668,515. The area is characterized as a bedroom community that is 95% built out.

The City relies heavily on sales tax revenues to support general fund operations. Sales taxes comprised 41% of general fund revenues in FY 2005. From 1998 through 2000, the City developed a \$100 million downtown project that eliminated blight and created over 350,000 square feet of retail space. The project opened in July 2000 and places a heavy emphasis on retail activities that will continue to generate the additional sales tax and business license revenue needed to fund the services that our residents, businesses and guests have come to expect from the City of Pleasant Hill. Property taxes comprised 10% of City's general fund revenues in FY 2005 and, when including tax increment of the redevelopment agency, 23% of revenues for all governmental funds.

## **MAJOR INITIATIVES**

The Pleasant Hill Redevelopment Agency's plans, begun in March 2003, to select a Master Developer to redevelop the entire Contra Costa Center Target Area ran into developer financing problems, and had to be modified. The site is a 20-acre under-utilized shopping center located at the I-680 Freeway/Monument Boulevard interchange across from the recently created Pleasant Hill downtown. Redevelopment of this center would not only service residents and surrounding businesses, but also would generate regional interest and bring increased sales tax revenue to the City.

Although a Master Developer for the entire project was not selected, the Agency has executed an Owner Participation Agreement with ICI Development Company to redevelop the north end of the Contra Costa Shopping Center. This project involves redeveloping 100,000 square feet of the vacant Montgomery Ward building to house Kohl's department store, and the construction of an additional 38,000 square feet of retail and restaurant space. This north-end project is expected to generate \$453,000 in annual sales tax once it opens in October 2005. ICI and four other firms own the central portion and south end of the shopping center, and specific plans for redeveloping those portions appear to be at least a year away.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

The effectiveness of internal control is considered in the development and evaluation of the City's accounting system. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding:

- 1) Safeguarding of assets against loss from unauthorized loss or disposition,
- 2) Accuracy and reliability of accounting data,
- 3) Adherence to managerial policy.

The concept of reasonable assurance recognizes that the cost of internal control should not outweigh its benefits, and that management must make estimates and judgments in evaluating these costs and benefits.

All governmental fund types use the modified accrual basis of accounting. This means that revenues are recorded when measurable and available rather than when received. Measurable means the amount can be determined, and available means the cash is received within forty-five days after the end of the fiscal year. Expenditures are recorded when the liability is incurred, rather than when paid. An exception to this rule is principal and interest on general long-term debt, which is not recognized by debt service funds until it is due.

Proprietary (internal service) funds are accounted for using the accrual basis of accounting, similar to that used by corporations. Proprietary fund revenues are recognized when they are earned rather than when the cash is received, even if the cash is not available and proprietary fund expenses are recognized when they are incurred.

Internal accounting procedures have been developed to provide reasonable assurance regarding the safeguarding of assets and the reliability of financial records for preparing financial statements and maintaining asset accountability.



A biennial operating budget and capital improvement plan is adopted by the City Council on a basis consistent with generally accepted accounting principles except that encumbrances are considered budgetary expenditures (see Note 2(B) of the Notes to Financial Statements). The operating budget is subject to supplemental appropriations throughout its term in order to provide flexibility in meeting changing needs and conditions. The City Manager may approve supplemental appropriations in any fund, provided the total increase does not exceed \$100,000 of the original total budget and provided sufficient revenues are available to fund such appropriations.

### AWARDS

The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004 was awarded a Certificate of Achievement for Excellence in Financial Reporting by the national Government Finance Officers Association (GFOA). The California Society of Municipal Finance Officers (CSMFO) also awarded the Report a Certificate for Outstanding Financial Reporting. These prestigious awards recognize the Report's conformance with the strict accounting and reporting standards established by the Government Accounting Standards Board and by these organizations. These awards are annual in nature and are valid for one year only. This year's Report will be submitted for award consideration by both these organizations, as we believe it continues to meet these standards.

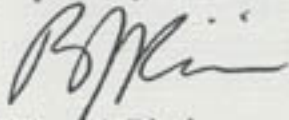
### INDEPENDENT AUDIT

State law requires an annual audit of the City's accounts by independent certified public accountants. The accounting firm of Maze & Associates performs this function for the City of Pleasant Hill, and their report is included in the financial section of the CAFR.

### ACKNOWLEDGEMENTS

The preparation of this Comprehensive Annual Financial Report, as presented herein, is the result of the combined efforts and dedicated services of the excellent staff of the Department of Finance.

Respectfully submitted,



Richard J. Ricci  
Director of Finance

# **CITY OF PLEASANT HILL**

June 30, 2005

## **Elected Officials**

### **Mayor**

Michael G. Harris, OD, JD

### **Vice Mayor**

Terri L. Williamson

### **Councilmember**

Suzanne C. Angeli

### **Councilmember**

David E. Durant

### **Councilmember**

John K. Hanecak

### **City Treasurer**

Suzanne J. Salter

### **City Clerk**

Marty C. McInturf

## **Executive Personnel**

City Manager

City Attorney

Acting Chief of Police

Director of Finance

Director of Human Resources

Director of Public Works & Community Development

Michael Ramsey

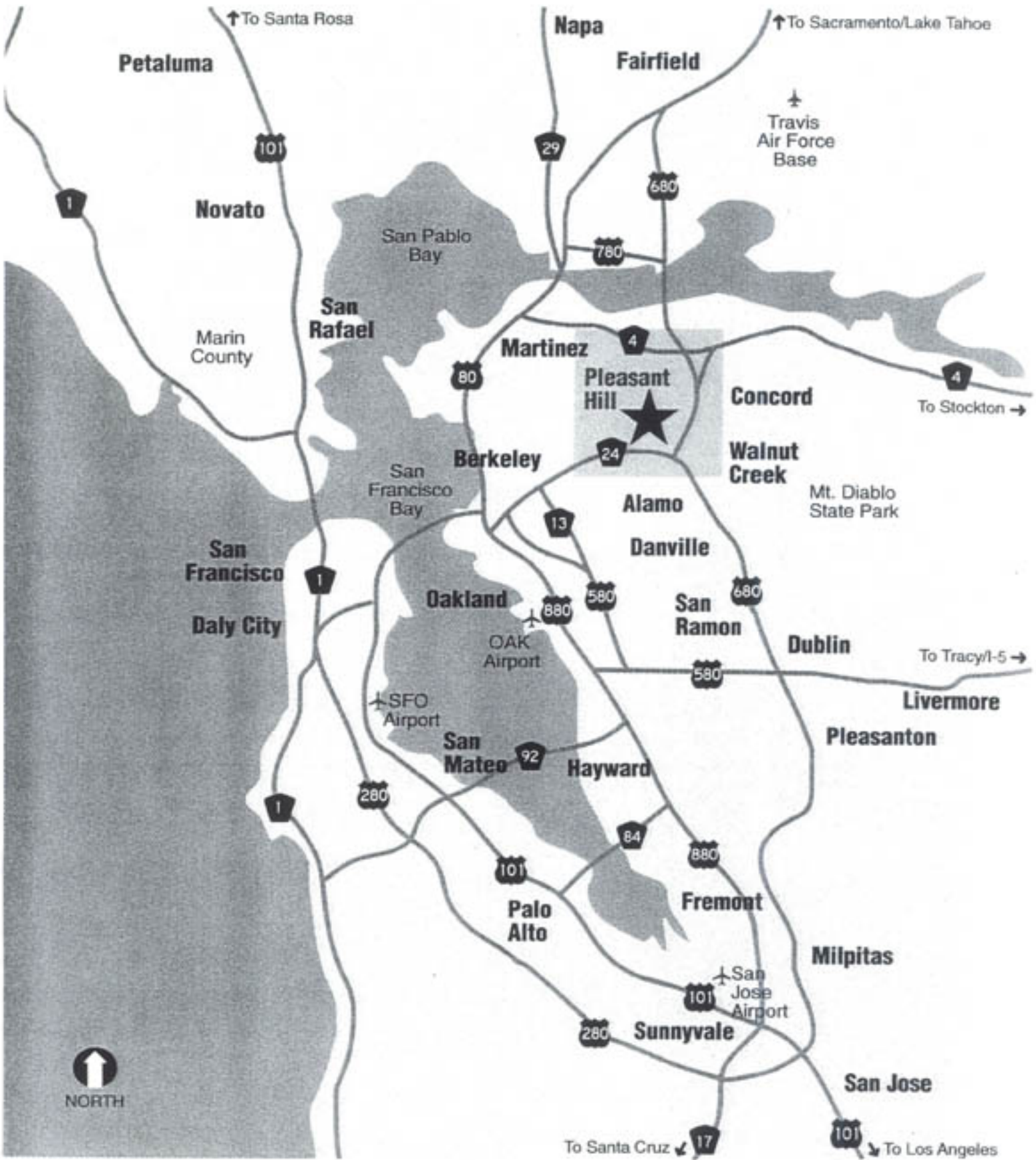
Debra Margolis

John Moore

Richard Ricci

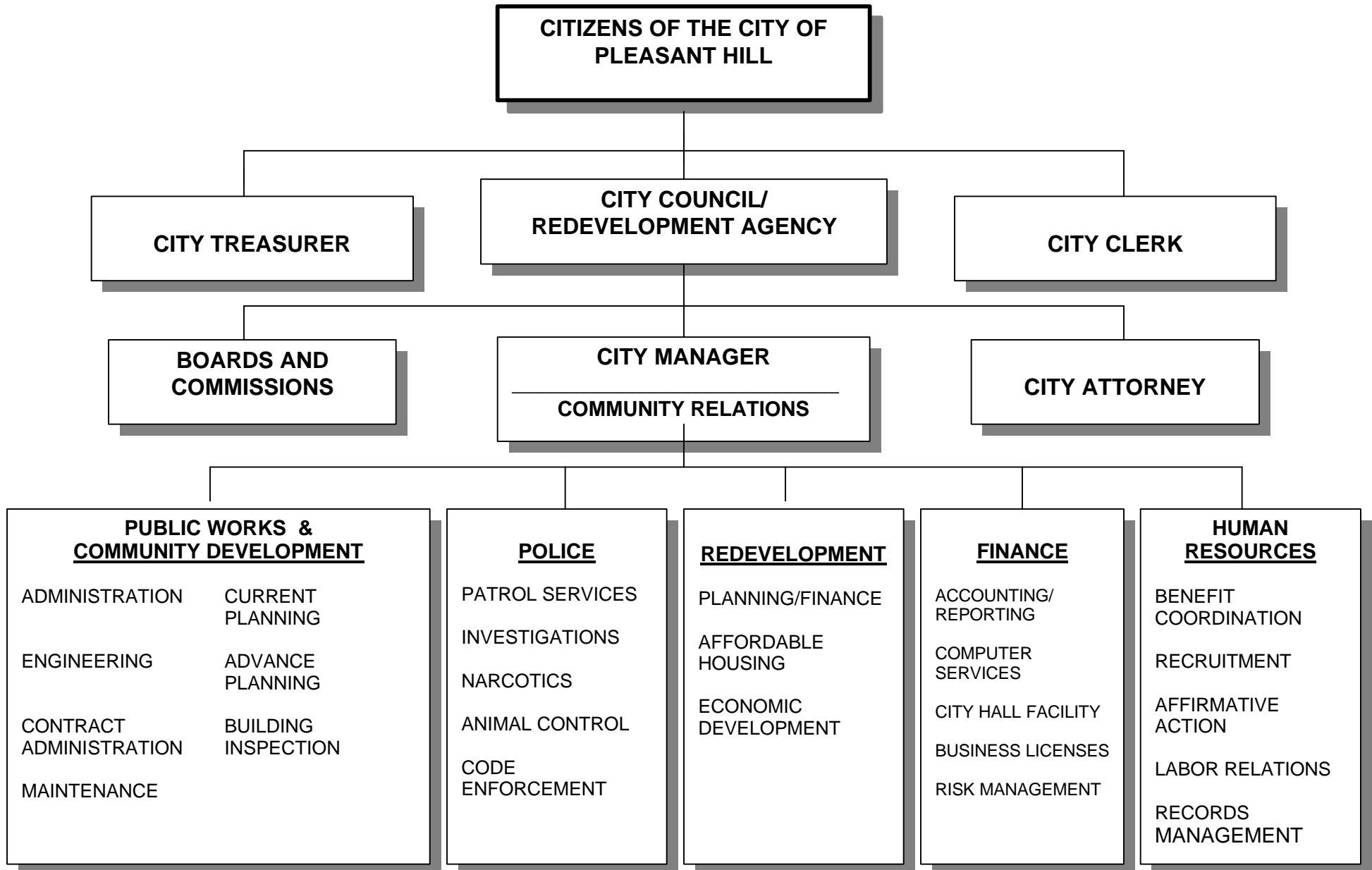
Carey Corbaley

Steve Wallace



# CITY OF PLEASANT HILL ORGANIZATION CHART

June 30, 2005





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pleasant Hill,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Enen*

Executive Director

# California Society of Municipal Finance Officers

## Certificate of Award

### Outstanding Financial Reporting 2003-04

Presented to the

## City of Pleasant Hill

This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.

February 24, 2005

*William A. Stand*

Bill Thomas, Chair  
Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*



**ACCOUNTANCY CORPORATION**  
1931 San Miguel Drive - Suite 100  
Walnut Creek, California 94596  
(925) 930-0902 • FAX (925) 930-0135  
E-Mail: [maze@mazeassociates.com](mailto:maze@mazeassociates.com)  
Website: [www.mazeassociates.com](http://www.mazeassociates.com)

## INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

To the City Council  
City of Pleasant Hill, California

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pleasant Hill as of and for the year ended June 30, 2005, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

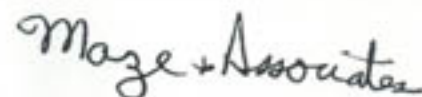
We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pleasant Hill at June 30, 2005, and the results of its operations and the cash flows of its proprietary fund types where applicable thereof, and budgetary comparisons for major general and special revenue funds for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is required by the Government Accounting Standards Board, but is not part of the basic financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Pleasant Hill. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical section listed in the Table of Contents was not audited by us, and we do not express an opinion on this information.



October 11, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

In Fiscal Year 2003, the City of Pleasant Hill implemented the provisions of Government Accounting Standards Board Statement 34, "Basic Financial Statements—and Management's Discussion & Analysis—for State and Local Governments," known as GASB 34. GASB 34 represents a profound and far-reaching change in accounting and reporting for municipalities; it is an effort to make these statements clearer and more understandable to readers.

GASB 34 requires the City to provide this discussion and analysis of its financial activities for the fiscal year. Other changes will be described in the financial statements themselves. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

### **FISCAL 2005 FINANCIAL HIGHLIGHTS**

#### *Citywide:*

- The City's total assets were \$98.7 million at June 30, 2005. Of this total, \$98.5 million were governmental assets and \$ 0.2 million were business-type assets.
- Total liabilities were \$26.2 million of which \$26.2 million were governmental liabilities and \$0.02 million were business-type liabilities.
- Citywide revenues in fiscal 2005 were \$25.8 million, of which \$25.6 million was generated by governmental activities and \$0.2 million was generated by business-type activities.
- Citywide expenses were \$25.0 million, of which \$24.9 million were incurred by governmental activities and \$0.1 million were incurred by business-type activities.

#### *Fund Level:*

- Governmental Fund balances were \$33.3 million.
- Governmental Fund revenues were \$25.7 million.
- Governmental Fund expenditures were \$26.0 million.
- Enterprise Fund total assets were \$313,612.
- Enterprise Fund total liabilities were \$136,292.
- Enterprise Fund operating revenues were \$71,100.
- Enterprise Fund operating expenses were \$138,944.

### **OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

This Comprehensive Annual Financial Report is in six parts:

- 1) Introductory section, which includes the Transmittal Letter and general information,
- 2) Management's Discussion and Analysis (this part),
- 3) The Basic Financial Statements, which include the Government-wide and the Fund Financial Statements, along with the Notes to these financial statements,
- 4) Required Supplemental Information,
- 5) Combining statements for Non-major Governmental Funds and Fiduciary Funds,
- 6) Statistical information.

### **The Basic Financial Statements**

The Basic Financial Statements comprise the City-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position—long-term and short-term.

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year.



The Fund Financial Statements report the City's operations in more detail than the City-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures, current assets, liabilities and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-Major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The City acts solely as a depository agent for Assessment Districts for which the City has no obligation to repay debt. The fiduciary statements provide information about the cash balances and activities of these Districts. These statements are separate from, and their balances are excluded from, the City's financial statements.

Together, all these statements are called the Basic Financial Statements.

### *The City-wide Financial Statements*

All of the City's basic services are considered to be Governmental activities, including city council, city manager, city attorney, city clerk, finance, human resources, police, public works, community development, and redevelopment. These services are supported by general City revenues such as taxes, and by specific program revenues such as fees.

The City's only enterprise activity, Diablo Vista Water, is reported as a business-type activity. These activities are supported by charges paid by users based on the amount of service they use, as well as by property taxes on those properties in the district.

The City's governmental activities include the activities of the Pleasant Hill Redevelopment Agency because the City is financially accountable for this entity.

City-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

### *Fund Financial Statements*

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the city-wide financial statements.

Enterprise fund financial statements are prepared on the full accrual basis, as in the past, and include all these funds' assets and liabilities, both current and long-term.

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-Major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-Major funds. Major Funds present the major activities of the City for the year. The General Fund is always a Major Fund, but other Major Funds may change from year to year as a result of changes in the pattern of City's activities.

The City has three Major Governmental Funds in fiscal 2005 in addition to the General Fund. These are the Measure C Growth Management, Pleasant Hill Redevelopment Capital Project, and Pleasant Hill Redevelopment TARB Debt Service. Each is discussed in detail below.

Comparisons of budget and actual financial information are presented only for the General Fund and other Major governmental funds that are Special Revenue Funds. This year the Measure C Growth Management Fund is the only major special revenue fund.

#### *Fiduciary Statements*

The City is the agent for certain governmental entities and non-public organizations. In this capacity, the City collects and disburses funds as directed or required. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

### **FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE**

This analysis focuses on the net assets and changes in net assets of the City as a whole. Tables 1, 2 and 3 focus on the City's Governmental Statement of Net Assets and Statement of Activities, while Tables 4 and 5 focus on the City's Business-type Statement of Net Assets and Statement of Activities that follow.

#### *Governmental Activities*

**Table 1**  
**Governmental Net Assets at June 30, 2005**  
**(in Millions)**

	<u>2005</u>	<u>2004</u>
Cash and investments	\$ 30.3	\$ 30.2
Other assets	4.8	5.2
Capital assets	63.4	63.8
<b>Total assets</b>	<u><b>98.5</b></u>	<u><b>99.2</b></u>
Long-term debt outstanding	23.6	25.2
Other liabilities	2.6	2.4
<b>Total liabilities</b>	<u><b>26.2</b></u>	<u><b>27.6</b></u>
Net assets:		
Invested in capital assets, net of debt	39.8	38.6
Restricted	20.8	20.4
Unrestricted	11.9	12.6
<b>Total net assets</b>	<u><u><b>\$72.3</b></u></u>	<u><u><b>\$71.6</b></u></u>

The City's governmental net assets amounted to \$72.3 million, and included the following:

- Cash and investments comprised \$27.8 million of pooled cash and investments available for operations. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements. An additional \$2.5 million was invested with bond trustees for reserve and debt service obligations.
- Accounts, special assessments, and interest receivable of \$2.3 million are current assets.
- Notes receivable of \$2.5 million are due over longer periods, and are explained in Note 6 to the financial statements.
- Capital assets of \$63.4 million, net of depreciation charges, include all the City's infrastructure as well as other capital assets used in governmental activities.
- Current liabilities, including accounts payable, claims and other amounts due currently, totaling \$1.3 million.
- Long-term debt of \$23.6 million, of which \$22.2 million is due in future years and \$1.4 million is due currently.
- Compensated absences of \$1.3 million represent the City's obligation for unpaid vacation and sick leave.
- Net assets invested in capital assets, net of related debt of \$39.8 million, represents the City's investment in infrastructure and other capital assets used in governmental activities, net of amounts borrowed to finance that investment.
- Restricted net assets totaling \$20.8 million, which may be used for debt service, for redevelopment, special revenue projects, and capital projects. Restrictions on these funds were placed there by outsiders and cannot be changed by the City.
- Unrestricted net assets, which are the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City had \$11.7 million of unrestricted net assets at June 30, 2005.

**Table 2**  
**Changes in Governmental Net Assets**  
**For the Year Ended June 30**  
**(in Millions)**

	<b>2005</b>	<b>2004</b>
<b>Expenses</b>		
General government	\$4.0	\$4.3
Public safety	9.1	7.8
Transportation	6.6	5.7
Community development	4.0	3.4
Interest and fiscal charges	1.2	1.5
<b>Total expenses</b>	<b>24.9</b>	<b>22.7</b>
<b>Revenues</b>		
<b>Program revenues:</b>		
Charges for services	1.7	2.1
Operating contributions and grants	2.8	2.2
Capital contributions and grants	0.3	0.9
<b>Total Program Revenues</b>	<b>4.8</b>	<b>5.2</b>
<b>General revenues:</b>		
Property taxes	2.0	2.1
Incremental property taxes	3.9	3.8
Special assessments	0.8	0.0
Sales taxes	7.0	6.7
Other taxes	4.5	4.3
Motor vehicle in lieu	2.1	1.5
Interest	0.5	0.3
Miscellaneous	0.2	0.4
<b>Total General Revenues</b>	<b>20.8</b>	<b>\$19.1</b>
<b>Total Revenues</b>	<b>25.6</b>	<b>24.3</b>
<b>Change in net assets</b>	<b>\$0.7</b>	<b>\$1.6</b>

As Table 2 above shows, \$4.8 million or 19% of the City's fiscal 2005 Governmental revenue, came from program revenues and \$20.8 million or 81% came from general revenues such as taxes and interest.



Program revenues include: 1) Charges for City services of \$1.7 million, which are intended to help cover the expenses incurred in providing a variety of City services. 2) Operating grants and contributions of \$2.8 million, such as gas tax revenues and grants for police services. 3) Capital contributions and grants of \$0.3 million, such as street project grants and developer impact fees restricted to uses related to capital improvement projects. Proceeds for special assessments were categorized as general versus program revenues effective fiscal year 2005.

General revenues are not allocable to programs but are used to pay for the net cost of governmental services.

Table 3 presents the net (expense) or revenue of each of the City's governmental activities, including interest on long-term debt. Net expense is defined as total program cost less the revenues generated by those specific activities.

**Table 3**  
**Net Revenue (Expense) of Governmental Activities**  
**For the Year Ended June 30**  
**(in Millions)**

	<b>2005</b>	<b>2004</b>
General government	(\$3.7)	(\$3.9)
Public safety	(8.5)	(7.1)
Transportation	(4.5)	(2.2)
Community development	(2.3)	(2.7)
Interest and fiscal charges	(1.2)	(1.5)
<b>Totals</b>	<b>(\$20.2)</b>	<b>(\$17.4)</b>

Program revenues collected do not come close to what we record for program expenditures. The City of Pleasant Hill is very dependent on property and sales taxes to pay for municipal services.

Community Development net expense decreased over the prior year primarily due to the receipt of residual funds left after the 1993 Residential Mortgage Revenue Bond issue had been called in full by the trustee. Public Safety net expense increased over the prior year primarily due to a significant increase in the Public Employee Retirement System (PERS) pension expenditures. Transportation net expense increased over the previous year due to activity in Measure C and Gas Tax Fund projects. Additionally, less grant revenue was received for fiscal year 2005.

### ***Business-type Activities***

The Statements of Net Assets and Statement of Activities present a summary of the City's Business-type activities, which are comprised of the City's enterprise funds.

**Table 4**  
**Business-Type Net Assets**  
**For the Year Ended June 30**  
**(in Millions)**

	<u>2005</u>	<u>2004</u>
Cash and investments	\$293,060	\$143,117
Other assets	2,086	545
Capital assets, net of accumulated depreciation	18,466	19,096
<b>Total assets</b>	<b><u>313,612</u></b>	<b><u>162,758</u></b>
Long-term debt outstanding	0	0
Other liabilities	136,292	19,214
<b>Total liabilities</b>	<b><u>136,292</u></b>	<b><u>19,214</u></b>
Net assets:		
Invested in capital assets, net of debt	18,466	19,096
Unrestricted	158,854	124,448
<b>Total net assets</b>	<b><u>\$177,320</u></b>	<b><u>\$143,544</u></b>

The net assets of business-type activities were \$177,320 in fiscal 2005.

**Table 5**  
**Changes in Business-Type Net Assets**  
**For the Year Ended June 30**

	<u>2005</u>	<u>2004</u>
Change in Net Assets from Business-type activities:		
Diablo Vista Water	\$33,776	(\$37,136)
<b>Totals</b>	<b><u>\$33,776</u></b>	<b><u>(\$37,136)</u></b>

Total operating revenues of Business-type Activities were \$71,100. Operating expenses were \$138,944. The Diablo Vista Water System (DVWS) provides raw canal water for irrigation purposes to 473 homes. In fiscal 2004 the City projected that by July 1, 2008 the system would be in a deficit position without a fee increase. On June 7, 2004, the City Council adopted a new usage fee of \$150 per household per year beginning in fiscal 2005, and an additional capital improvements fee of \$135 per household per year to be phased in over three years beginning in fiscal 2006 to be used for future replacements of the water distribution system. These increased fees should provide for a financially solvent system in the future.

## The City's Fund Financial Statements

Table 6 below summarizes governmental activity and balances at the fund level:

**Table 6**  
**Financial Highlights at Fund Level at June 30**  
**(in Millions)**

	<u>2005</u>	<u>2004</u>
Governmental Funds:		
Total assets	\$36.1	\$36.5
Total liabilities	2.8	2.9
Total fund balances	33.3	33.6
Total revenues	25.7	23.7
Total expenditures	26.0	31.8
Total other financing sources (uses)	0.0	9.1

Total expenditures incurred during fiscal year 2004 included the defeasement of \$9.6 million for 1993 Series A Refunding Lease Revenue Bonds. Without this non-recurring item, expenditures would have been \$22.2 million. Total other financing sources (uses) of \$9.1 million for fiscal year 2004 represents bond proceeds received on the issuance of the Lease Revenue Refunding Bonds, Series 2004.

### *Analyses of Major Governmental Funds*

#### **General Fund**

There was a net decrease in fund balance of \$807,956 in fiscal 2005, bringing the fund balance at June 30 to \$11,538,690. The City maintains a relatively high fund balance to mitigate the impact of a downturn in the economy, loss of a major retailer, or loss of revenues due to actions of the State legislature.

General Fund revenues were about the same as the prior fiscal year.

Expenditures were \$1.0 million higher in fiscal 2005. The primary reason was that PERS retirement contributions increased significantly for the fiscal 2005 year.

#### **Measure C**

The Measure C fund accounts for resources provided by the one-half cent sales tax dedicated to transportation improvement projects. This fund became a major fund for fiscal year 2005.

The Measure C fund experienced a \$.2 million increase in fund balance in fiscal 2005 due to a \$1.3 million increase in transfers, primarily due to funding for the Buskirk Contra Costa Shopping Center road widening project, offset by net expenses of \$1.1 due to increased activity on construction projects including Measure C Pleasant Hill Road improvement and the Buskirk Contra Costa Shopping Center road widening projects.

### **Redevelopment Fund Capital Project Fund**

The fund accounts for acquiring land and facilities for urban redevelopment in the Commons and Schoolyard project areas, as well as the 20% housing set-aside from tax increment proceeds, which helps provide or improve housing in the City for low and moderate income households.

The Agency's primary revenue source, property tax increment, was \$3.9 million in fiscal year 2005, an increase of \$.1 million from the prior year.

Pass through agreements expenditures increased because of having to negotiate improved terms with other property tax sharing jurisdictions in order to gain their written agreement to all the refinancing of the 2002 Tax Allocation Refunding Bonds.

### **Pleasant Hill Redevelopment TARB Debt Service Fund**

This fund accounts for 80% of the Commons project area's tax increment revenues and the payment of debt service on the 2002 Tax Allocation Refunding Bonds (TARB), the annual payment to the Low/Mod Housing Fund on an interfund loan, and the forwarding of the tax increment received on Downtown properties to the PHDCFD #1 Debt Service Fund to satisfy its debt service and other obligations. Pursuant to the TARB bond indenture, any excess remaining in the TARB Debt Service Fund may be transferred into the capital project fund, where it may be used for operating expenditures.

### **Other Governmental Funds**

These funds are not presented separately in the Basic Financial statements, but are individually presented as Supplemental Information.

### ***Analysis of Major Business-type Activities – Enterprise Funds***

#### **Diablo Vista Water Fund**

The Diablo Vista Water (DVW) system provides raw canal water for irrigation purposes to 473 homes. Net assets increased \$33,776 from the prior year. In fiscal 2004 City staff projected that the DVW system would be in a deficit cash position by July 1, 2008 without a fee increase. Increased costs for raw water, electricity, and maintenance of the system have reduced the amount of available funds over several years, and the systems assets are getting older. In order to continue to maintain the system, a new usage fee of \$150 per household per year was adopted by City Council Ordinance No. 786 on June 21, 2004, and takes effect in fiscal 2005. An additional Capital Improvements fee of \$135 per household per year was also approved, and was phased in over three years, beginning in fiscal 2005.

### **CAPITAL ASSETS**

The City of Pleasant Hill's infrastructure capital assets are streets, curbs and gutters, storm drains, traffic signals and streetlights. Each year, completed projects that are determined by the Public Works Department to meet certain criteria are capitalized, while maintenance projects are not. Capitalize-able projects that are in process at year end are recorded as Construction in Progress at that time, and are capitalized in the year they are completed.



At the end of fiscal 2005 the cost of capital assets recorded on the City's financial statements was as shown in Table 7 below (further detail may be found in Note 7 to the financial statements):

**Table 7**  
**Capital Assets at June 30, 2005**  
**(in Millions)**

	<u>2005</u>	<u>2004</u>
<i><b>Governmental Activities</b></i>		
Land	\$3.4	\$3.4
Construction in progress	0.5	0.7
Buildings and improvements	13.7	13.7
Furniture and equipment	4.9	4.5
Streets and roads	48.3	47.0
Curbs and gutters	15.0	14.7
Traffic control devices	2.2	2.2
Storm Drains	5.5	5.5
Street Lights	0.8	0.8
Less accumulated depreciation	<u>(30.9)</u>	<u>(28.6)</u>
<b>Totals</b>	<u><b>\$63.4</b></u>	<u><b>\$63.9</b></u>
<i><b>Business-type Activities</b></i>		
Water system infrastructure	\$0.2	\$0.2
Less accumulated depreciation	<u>(0.2)</u>	<u>(0.2)</u>
<b>Totals</b>	<u><b>\$0.0</b></u>	<u><b>\$0.0</b></u>

The principal additions for governmental activities in fiscal 2005 were to streets and roads. There were no additions for business-type activities.

The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in Note 7.

## DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Notes 8 and 9 to the financial statements. Table 8 below lists the City's debt at June 30, 2005 with comparative figures for June 30, 2004:

**Table 8**  
**Outstanding Debt at June 30, 2005**  
**(in Millions)**

<i>Governmental Activity Debt</i>	<b>2005</b>	<b>2004</b>
2004 Lease Revenue Refunding Bonds	\$8.3	\$9.3
2002 Tax Allocation Refunding Bonds	8.1	8.5
Assessment District No. 18 Improvement Bonds	0.2	0.3
Downtown Community District No.1 Refunding Special Tax Bonds	7.0	7.1
<b>Totals</b>	<b>\$23.6</b>	<b>\$25.2</b>

## SPECIAL ASSESSMENT DISTRICT DEBT

Special assessment districts in various parts of the City have issued debt to finance infrastructure and facilities construction entirely in those districts. At June 30, 2005, a total of \$7.2 million in special assessment district debt was outstanding, issued by two special assessment districts. Further detail on these districts may be found in Note 9 to the financial statements.

## ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Finance Department, at 100 Gregory Lane, Pleasant Hill, CA 94523.

## CITY OF PLEASANT HILL

### STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column. These columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities differs considerably from those used in the past. It presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, the Pleasant Hill Redevelopment Agency, and Pleasant Hill Joint Powers Authority, which are legally separate but are component units of the City because they are controlled by the City Council, which is financially accountable for the activities of these entities.

These new financial statements, along with the fund financial statements and footnotes, are called *Basic Financial Statements*; the term General Purpose Financial Statements is no longer used.

CITY OF PLEASANT HILL  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 3):			
City Treasury	\$27,795,214	\$293,060	\$28,088,274
Trustee accounts	2,489,946		2,489,946
Receivables:			
Accounts and others	1,391,937		1,391,937
Interest	198,055	2,086	200,141
Due from other governmental agencies	166,517		166,517
Due from fiduciary funds (Note 4A)	161,244		161,244
Internal balances (Note 4D)	120,000	(120,000)	
Prepaid deposit	235,000		235,000
Long term notes and loans receivable (Note 6)	2,484,829		2,484,829
Land held for redevelopment (Note 5A)	95,556		95,556
Capital assets, net of accumulated depreciation (Note 7)	63,357,158	18,466	63,375,624
	<u>98,495,456</u>	<u>193,612</u>	<u>98,689,068</u>
Total Assets			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,060,624	16,292	1,076,916
Deposits payable	175,776		175,776
Deferred revenue	45,460		45,460
Due to others	18,321		18,321
Compensated absences payable (Note 1G):			
Due in more than one year	1,340,258		1,340,258
Long term debt (Notes 8 & 9):			
Due within one year	1,385,000		1,385,000
Due in more than one year	22,190,000		22,190,000
	<u>26,215,439</u>	<u>16,292</u>	<u>26,231,731</u>
Total Liabilities			
<b>NET ASSETS (Note 10)</b>			
Invested in capital assets, net of related debt	39,782,158	18,466	39,800,624
Restricted for:			
Capital outlay	1,914,272		1,914,272
Debt service	3,412,705		3,412,705
Redevelopment	8,631,749		8,631,749
Special revenue projects	6,791,889		6,791,889
	<u>20,750,615</u>		<u>20,750,615</u>
Total Restricted Net Assets			
Unrestricted	11,747,244	158,854	11,906,098
	<u>\$72,280,017</u>	<u>\$177,320</u>	<u>\$72,457,337</u>
Total Net Assets			

See accompanying notes to financial statements

CITY OF PLEASANT HILL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$4,047,478	\$213,859	\$150,319		(\$3,683,300)		(\$3,683,300)
Public safety	9,120,677	426,795	185,948		(8,507,934)		(8,507,934)
Transportation	6,582,598	106,002	1,620,925	\$335,000	(4,520,671)		(4,520,671)
Community development	4,022,585	901,002	828,580		(2,293,003)		(2,293,003)
Interest and fiscal charges	1,152,466				(1,152,466)		(1,152,466)
Total Governmental Activities	24,925,804	1,647,658	2,785,772	335,000	(20,157,374)		(20,157,374)
Business-type Activities:							
Diablo Vista Water	138,944	71,100				(\$67,844)	(67,844)
Total Business-type Activities	138,944	71,100				(67,844)	(67,844)
Total	\$25,064,748	\$1,718,758	\$2,785,772	\$335,000	(20,157,374)	(67,844)	(20,225,218)
General revenues:							
Taxes:							
Property taxes					1,962,382	98,048	2,060,430
Incremental property tax					3,873,537		3,873,537
Special assessments					774,281		774,281
Sales taxes					6,985,909		6,985,909
Other taxes					4,469,141		4,469,141
Motor vehicle in lieu					2,097,515		2,097,515
Investment earnings					542,554	3,572	546,126
Miscellaneous					189,419		189,419
Total general revenues					20,894,738	101,620	20,996,358
Change in Net Assets					737,364	33,776	771,140
Net Assets-Beginning					71,542,653	143,544	71,686,197
Net Assets-Ending					\$72,280,017	\$177,320	\$72,457,337

See accompanying notes to financial statements



<b><i>FUND FINANCIAL STATEMENTS</i></b>
---

GASB 34 revises the format of the Fund Financial Statements so that only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between fund types, and the practice of combining like funds and presenting their totals in separate columns (Combined Financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Account Groups.

<b><i>MAJOR GOVERNMENTAL FUNDS</i></b>
--

The funds described below were determined to be Major Funds by the City in fiscal 2005. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND**

The General Fund accounts for all the general revenues and financial resources of the City not specifically levied or collected for the other City funds, as well as the related expenditures.

**MEASURE C GROWTH MANAGEMENT FUND**

Accounts for resources provided by the one-half cent sales tax dedicated to transportation improvement projects.

**PLEASANT HILL REDEVELOPMENT CAPITAL PROJECTS FUND**

Accounts for acquiring land and facilities for urban redevelopment within the Pleasant Hill Commons and the Pleasant Hill Schoolyard Project Areas.

**PLEASANT HILL REDEVELOPMENT COMMONS TARB DEBT SERVICE FUND**

Accounts for funds to be used for payment of debt service on the Tax Allocation Refunding Bonds issued in October 2002. Debt service is financed by property tax increments.

CITY OF PLEASANT HILL  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2005

	General	Measure C Growth Management	Pleasant Hill Redevelopment Capital Projects	TARB Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments (Note 3):						
City Treasury	\$11,296,932	\$1,705,530	\$5,159,541	\$1,665,252	\$7,967,959	\$27,795,214
Trustee accounts				666,087	1,823,859	2,489,946
Receivable						
Accounts and other	825,736	472,993			93,208	1,391,937
Interest	84,488	5,914	48,764	12,173	46,716	198,055
Due from other governmental agencies	1,904	164,613				166,517
Due from other funds (Note 4A)	173,005					173,005
Prepaid deposits			235,000			235,000
Advances to other funds (Note 4B & 4C)	120,000		987,485			1,107,485
Long term notes and loans receivable (Note 6 )			2,484,829			2,484,829
Land held for redevelopment (Note 5A)			95,556			95,556
Total Assets	<u>\$12,502,065</u>	<u>\$2,349,050</u>	<u>\$9,011,175</u>	<u>\$2,343,512</u>	<u>\$9,931,742</u>	<u>\$36,137,544</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$769,959	\$224,291	\$20,937		\$45,437	\$1,060,624
Deposits payable	175,095		681			175,776
Deferred revenue		164,613	357,808		45,460	567,881
Due to other funds (Note 4A)					11,761	11,761
Due to others	18,321					18,321
Advances from other funds (Note 4B)				\$987,485		987,485
Total Liabilities	<u>963,375</u>	<u>388,904</u>	<u>379,426</u>	<u>987,485</u>	<u>102,658</u>	<u>2,821,848</u>
<b>FUND BALANCES</b>						
Fund balance (Note 10)						
Reserved for:						
Encumbrances	81,457	1,231,227			342,075	1,654,759
Long term notes and loans receivable, prep			2,362,022			2,362,022
Advances to other funds	120,000		987,485			1,107,485
Bridge housing operating subsidies			1,499,019			1,499,019
Land held for redevelopment			95,556			95,556
Debt service				1,356,027	2,056,678	3,412,705
Unreserved:						
Designated						
Land purchases			3,687,667			3,687,667
Contingencies	8,160,000					8,160,000
Undesignated, Reported in:						
General Fund	3,177,233					3,177,233
Special Revenue Funds		728,919			6,074,666	6,803,585
Capital Projects Funds					1,355,665	1,355,665
Total Fund Balances	<u>11,538,690</u>	<u>1,960,146</u>	<u>8,631,749</u>	<u>1,356,027</u>	<u>9,829,084</u>	<u>33,315,696</u>
Total Liabilities and Fund Balances	<u>\$12,502,065</u>	<u>\$2,349,050</u>	<u>\$9,011,175</u>	<u>\$2,343,512</u>	<u>\$9,931,742</u>	<u>\$36,137,544</u>

See accompanying notes to financial statements

CITY OF PLEASANT HILL  
Reconciliation of the  
GOVERNMENTAL FUNDS -- BALANCE SHEET  
with the  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

Total fund balances reported on the governmental funds balance sheet	\$33,315,696
--	--------------

Amounts reported for Governmental Activities in the Statement of Net Assets  
are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	63,357,158
--	------------

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	522,421
--	---------

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt	(23,575,000)
Non-current portion of compensated absences	(1,340,258)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

	<u>\$72,280,017</u>
--	---------------------

See accompanying notes to financial statements

CITY OF PLEASANT HILL  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2005

	General	Measure C Growth Management	Pleasant Hill Redevelopment Capital Projects	TARB Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$1,654,592		\$1,518,026	\$2,355,511	\$307,790	\$5,835,919
Sales taxes	6,985,909					6,985,909
Other taxes and special assessments	2,704,655				489,316	3,193,971
Rental	4,376		4,795		75,821	84,992
Licenses and permits	2,531,120					2,531,120
Intergovernmental	2,288,159	\$472,993			1,362,551	4,123,703
Charges for current services	534,469				533,125	1,067,594
Fines and forfeitures	138,356				85,465	223,821
Developer fees			8,333			8,333
Use of money and property	222,312	21,510	239,261	66,305	148,625	698,013
Other	42,817		828,563		62,799	934,179
Total Revenues	<u>17,106,765</u>	<u>494,503</u>	<u>2,598,978</u>	<u>2,421,816</u>	<u>3,065,492</u>	<u>25,687,554</u>
<b>EXPENDITURES</b>						
Current:						
General government	3,594,695				248,654	3,843,349
Public safety	8,434,670				201,790	8,636,460
Transportation	2,407,832	951,509			2,391,698	5,751,039
Community development	1,229,426	23,090	2,589,786		157,590	3,999,892
Capital outlay		625,734			314,553	940,287
Debt service						
Principal				375,000	1,265,000	1,640,000
Interest and fiscal charges				275,698	876,768	1,152,466
Total Expenditures	<u>15,666,623</u>	<u>1,600,333</u>	<u>2,589,786</u>	<u>650,698</u>	<u>5,456,053</u>	<u>25,963,493</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,440,142</u>	<u>(1,105,830)</u>	<u>9,192</u>	<u>1,771,118</u>	<u>(2,390,561)</u>	<u>(275,939)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (Note 4D)	829,798	1,824,549	1,474,000		4,220,370	8,348,717
Transfers (out) (Note 4D)	(3,077,896)	(505,000)	(1,500,000)	(2,146,543)	(1,119,278)	(8,348,717)
Gain (Loss) on sale of property			(6,791)			(6,791)
Total Other Financing Sources (Uses)	<u>(2,248,098)</u>	<u>1,319,549</u>	<u>(32,791)</u>	<u>(2,146,543)</u>	<u>3,101,092</u>	<u>(6,791)</u>
NET CHANGE IN FUND BALANCES	<u>(807,956)</u>	<u>213,719</u>	<u>(23,599)</u>	<u>(375,425)</u>	<u>710,531</u>	<u>(282,730)</u>
BEGINNING FUND BALANCES	<u>12,346,646</u>	<u>1,746,427</u>	<u>8,655,348</u>	<u>1,731,452</u>	<u>9,118,553</u>	<u>33,598,426</u>
ENDING FUND BALANCES	<u><u>\$11,538,690</u></u>	<u><u>\$1,960,146</u></u>	<u><u>\$8,631,749</u></u>	<u><u>\$1,356,027</u></u>	<u><u>\$9,829,084</u></u>	<u><u>\$33,315,696</u></u>

See accompanying notes to financial statements

CITY OF PLEASANT HILL  
Reconciliation of the  
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
with the  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$282,730)
--	-------------

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance	1,842,112
--	-----------

Depreciation expense is deducted from the fund balance	(2,279,423)
--	-------------

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	1,640,000
---	-----------

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Deferred revenue	(17,595)
Compensated absences	(165,000)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$737,364
---	-----------

See accompanying notes to financial statements

CITY OF PLEASANT HILL  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$1,907,560	\$1,520,768	\$1,654,592	\$133,824
Sales taxes	6,720,813	7,220,813	6,985,909	(234,904)
Other taxes	2,637,798	2,637,798	2,704,655	66,857
Rental	6,180	6,180	4,376	(1,804)
Licenses and permits	2,599,243	2,599,243	2,531,120	(68,123)
Intergovernmental	2,355,136	2,355,136	2,288,159	(66,977)
Charges for services	555,953	543,025	534,469	(8,556)
Fines and forfeitures	123,600	123,600	138,356	14,756
Use of money and property	239,803	239,803	222,312	(17,491)
Other	80,340	80,340	42,817	(37,523)
Total Revenues	17,226,426	17,326,706	17,106,765	(219,941)
EXPENDITURES:				
Current:				
General government				
City council	167,879	167,879	120,029	47,850
City manager	516,563	495,765	392,680	103,085
City attorney	451,669	454,669	415,706	38,963
City clerk	213,244	214,744	170,537	44,207
City treasurer	21,644	21,644	20,853	791
Finance	825,783	827,783	861,077	(33,294)
Computer services	40,000	40,000	12,535	27,465
Human Resources	578,604	580,604	540,892	39,712
Risk management	361,830	361,830	268,658	93,172
City hall facility	195,500	205,500	198,837	6,663
Non-departmental	683,400	677,642	592,891	84,751
Total general government	4,056,116	4,048,060	3,594,695	453,365
Public safety				
Police	8,246,944	8,531,424	8,193,963	337,461
Narcotics	147,631	147,631	167,549	(19,918)
Animal control	72,500	72,500	73,158	(658)
Total public safety	8,467,075	8,751,555	8,434,670	316,885



CITY OF PLEASANT HILL  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation				
Other street-related projects	341,000	469,614	230,249	239,365
Public works administration	1,121,536	1,133,056	819,923	313,133
Public woks maintenance	1,587,784	1,667,796	1,357,660	310,136
Total transportation	3,050,320	3,270,466	2,407,832	862,634
Community development				
General	80,000	80,000		80,000
Planning	898,758	906,508	717,375	189,133
Building inspection	524,364	579,664	426,592	153,072
Community relations	94,100	94,100	85,459	8,641
Total community development	1,597,222	1,660,272	1,229,426	430,846
Total Expenditures	17,170,733	17,730,353	15,666,623	2,063,730
EXCESS OF REVENUES OVER EXPENDITURES	55,693	(403,647)	1,440,142	1,843,789
OTHER FINANCING SOURCES (USES)				
Transfers in	877,986	822,825	829,798	6,973
Transfers (out)	(2,242,457)	(3,194,557)	(3,077,896)	116,661
Total other financing sources (uses)	(1,364,471)	(2,371,732)	(2,248,098)	123,634
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$1,308,778)	(\$2,775,379)	(807,956)	\$1,967,423
BEGINNING FUND BALANCE			12,346,646	
ENDING FUND BALANCE			\$11,538,690	

See accompanying notes to financial statements

CITY OF PLEASANT HILL  
MEASURE C GROWTH MANAGEMENT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Intergovernmental	\$471,395	\$471,395	\$472,993	\$1,598
Use of money and property	1,607	1,607	21,510	19,903
Other		722,642		(722,642)
Total Revenues	473,002	1,195,644	494,503	(701,141)
EXPENDITURES:				
Current:				
Transportation	293,756	1,331,456	951,509	379,947
Community development	20,708	20,708	23,090	(2,382)
Capital outlay		2,222,642	625,734	1,596,908
Total Expenditures	293,756	3,574,806	1,600,333	1,974,473
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	179,246	(2,379,162)	(1,105,830)	1,273,332
OTHER FINANCING SOURCES (USES)				
Transfers in	287,000	1,942,752	1,824,549	(118,203)
Transfers (out)	(300,000)	(728,136)	(505,000)	223,136
Total other financing sources (uses)	(13,000)	1,214,616	1,319,549	104,933
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$166,246	(\$1,164,546)	213,719	\$1,378,265
BEGINNING FUND BALANCE			1,746,427	
ENDING FUND BALANCE			\$1,960,146	

See accompanying notes to financial statements

<b>MAJOR PROPRIETARY FUNDS</b>
--------------------------------

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in fiscal 2005. Individual non-major funds may be found in the Supplemental section.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

**THE DIABLO VISTA WATER ENTERPRISE FUND**

Accounts for the financing of self-supporting activities, which render water irrigation services to homeowners in a specific geographical area of the City, paid for from property taxes and user charges. On June 7, 2004, the City Council adopted a new usage fee of \$150 per household per year beginning in fiscal 2005, and an additional capital improvement fee of \$135 per household per year to be phased in over three years beginning in fiscal 2006 to be used for future replacements of the water distribution system.

CITY OF PLEASANT HILL  
BUSINESS TYPE ACTIVITIES  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Diablo Vista Water Enterprise Fund</u>
ASSETS	
Cash and investments in City Treasury (Note 3)	\$293,060
Interest receivable	<u>2,086</u>
Current Assets	<u>295,146</u>
Capital assets, net of accumulated depreciation (Note 7)	<u>18,466</u>
Total Assets	<u>313,612</u>
LIABILITIES	
Accounts payable and accrued liabilities	16,292
Advances from other funds (Note 4C)	<u>120,000</u>
Total Liabilities	<u>136,292</u>
NET ASSETS	
Invested in capital assets, net of related debt	18,466
Unrestricted	<u>158,854</u>
Total Net Assets	<u>\$177,320</u>

See accompanying notes to financial statements

CITY OF PLEASANT HILL  
BUSINESS TYPE ACTIVITIES  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Diablo Vista Water Enterprise Fund</u>
OPERATING REVENUES	
Water district assessments and charges	<u>\$71,100</u>
Total Operating Revenues	<u>71,100</u>
OPERATING EXPENSES	
Purchased water	103,900
Personnel services	7,139
Contract services	1,174
Administration and office utilities	12,661
Repairs and maintenance	13,440
Depreciation	<u>630</u>
Total Operating Expenses	<u>138,944</u>
Operating Loss	<u>(67,844)</u>
NONOPERATING REVENUES (EXPENSES)	
Property taxes	98,048
Interest income	<u>3,572</u>
Total Nonoperating Revenues	<u>101,620</u>
Change in net assets	33,776
BEGINNING NET ASSETS	<u>143,544</u>
ENDING NET ASSETS	<u><u>\$177,320</u></u>

See accompanying notes to financial statements

CITY OF PLEASANT HILL  
BUSINESS-TYPE ACTIVITIES  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005

	Diablo Vista Water Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$71,100
Payments to suppliers	(134,097)
Payments to employees	(7,139)
	<u>(70,136)</u>
Cash Flows from Operating Activities	<u>(70,136)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	98,048
Interfund advances	120,000
	<u>218,048</u>
Cash Flows from Noncapital Financing Activities	<u>218,048</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	2,031
	<u>2,031</u>
Net Cash Flows	149,943
Cash and investments at beginning of period	<u>143,117</u>
Cash and investments at end of period	<u><u>\$293,060</u></u>
Reconciliation of Operating (Loss) to Cash Flows	
from Operating Activities:	
Operating (loss)	(\$67,844)
Adjustments to reconcile operating loss to cash flows	
from operating activities:	
Depreciation	630
Change in assets and liabilities:	
Accounts payable and other accrued expenses	(2,922)
	<u>(2,922)</u>
Cash Flows from Operating Activities	<u><u>(\$70,136)</u></u>

See accompanying notes to financial statements



<b>FIDUCIARY FUNDS</b>
------------------------

***FIDUCIARY FUNDS***

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF PLEASANT HILL  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and investments in City Treasury (Note 3)	\$963,898
Cash and investments in Trustee accounts (Note 3)	919,354
Accounts receivable	88,113
Interest receivable	6,652
Due from other governmental agencies	<u>79,680</u>
Total Assets	<u><u>\$2,057,697</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$34,913
Due to the City (Note 4A)	161,244
Due to others	<u>1,861,540</u>
Total Liabilities	<u><u>\$2,057,697</u></u>

See accompanying notes to financial statements

<p style="text-align: center;"><b>CITY OF PLEASANT HILL</b> <b>Notes to Financial Statements</b></p>
--

<p><b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b></p>
---

The City of Pleasant Hill was incorporated as a general law city on November 14, 1961. The City operates under the Council-Manager form of government and provides the following services: police, highways and streets, public improvements, planning and zoning, general administration services, and redevelopment.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

**A. *Reporting Entity***

The financial statements of the City of Pleasant Hill include the financial activities of the City, as well as the Pleasant Hill Redevelopment Agency and the Pleasant Hill Joint Powers Financing Authority, both of which are controlled by and dependent on the City. Their financial activities have been aggregated and merged (termed “blended”) with those of the City in the accompanying financial statements.

The Pleasant Hill Redevelopment Agency is a separate government entity whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The City Council and the Redevelopment Agency Board are composed of the same individuals. Certain administrative and accounting functions are performed by City staff. The financial activities of the Agency have been included in these financial statements in the Redevelopment Agency Capital Projects Funds, and the Redevelopment Pleasant Hill Commons Project Debt Service Fund.

The Pleasant Hill Joint Powers Financing Authority is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City, principally three City buildings. The Authority is controlled by the City and is governed by a board consisting of the City Manager, City Attorney and Finance Director, who also manage all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Refunding Lease Revenue Bonds Debt Service Fund.

Financial statements for the Redevelopment Agency may be obtained from the City of Pleasant Hill at 100 Gregory Lane, Pleasant Hill, California, 94523-3323.

**B. *Basis of Presentation***

The City’s Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

<p style="text-align: center;"><b>CITY OF PLEASANT HILL</b> <b>Notes to Financial Statements</b></p>
--

<p><b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b></p>
---

**Government-wide Statements:** The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

**C. Major Funds**

GASB Statement 34 defines major funds and requires that the City's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

**General Fund** - Accounts for all the general revenues and financial resources of the City not specifically levied or collected for the other City funds, as well as the related expenditures.

<p style="text-align: center;"><b>CITY OF PLEASANT HILL</b> <b>Notes to Financial Statements</b></p>
--

<p><b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b></p>
---

**Measure C Growth Management Fund** - Accounts for resources provided by the one-half cent sales tax dedicated to transportation improvement projects.

**Pleasant Hill Redevelopment Capital Projects Fund** - Accounts for acquiring land and facilities for urban redevelopment within the Pleasant Hill Commons and the Pleasant Hill Schoolyard Project Areas.

**Pleasant Hill Redevelopment Commons TARB Debt Service Fund** – Accounts for funds to be used for payment of debt service on the Tax Allocation Refunding Bonds issued in October 2002. Debt service is financed by property tax increments.

The City reported its one enterprise fund as a major fund in the accompanying financial statements:

**The Diablo Vista Water Fund** - Accounts for the financing of self-supporting activities, which render water irrigation services to the homeowners in a specific geographical area of the City, paid from property taxes and user charges.

The City also reports the following fund types:

**Fiduciary Funds.** Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

**D. *Basis of Accounting***

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within forty-five days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are sales taxes, vehicle in lieu taxes, gas taxes, transient occupancy taxes, franchise taxes, charges for services, and interest revenue. Fines, licenses and permits are not susceptible to accrual because they are not measurable until received in cash.

<p style="text-align: center;"><b>CITY OF PLEASANT HILL</b> <b>Notes to Financial Statements</b></p>
--

<p><b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b></p>
---

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

The City follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

***E. Revenue Recognition For Diablo Vista Water Enterprise Fund***

Revenues are billed to customers by the County and are included on each customer's property tax statement. Revenues for services provided but not billed at the end of a fiscal period are not material and are not accrued.

***F. Property Tax***

Contra Costa County distributes property taxes to jurisdictions according to the "alternate method of property tax distribution" known as the Teeter Plan. Under this plan, the County remits 100% of the levied taxes to the appropriate jurisdictions by June 30 each year, pursuing delinquencies and keeping related late penalties to cover their costs. The City and the Redevelopment Agency receive property taxes and property tax increments, respectively, on the following schedule: 55% in December, 40% in April and 5% in June. Assessed values for property are established as of January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on August 31 and becomes delinquent on September 1.

The term "unsecured" refers to taxes not secured by real property. These taxes are liens on the person or company named on the tax bill. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.



**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. *Compensated Absences***

Compensated absences comprise vacation and vested sick time, which are accrued as earned. The City's liability for compensated absences is recorded in Governmental Activities. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be permanently liquidated are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Assets.

The changes of the compensated absences were as follows:

	<u>Governmental Activities</u>
Beginning Balance	\$1,175,258
Additions	339,060
Payments	<u>(174,060)</u>
Ending Balance	<u><u>\$1,340,258</u></u>

The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

**A. *Budgets and Budgetary Accounting***

The City adopts a biennial budget on or before June 30 of even-numbered years for each of the ensuing two fiscal years for all funds except agency funds, the Police Special Services Special Revenue Fund, DARE Special Revenue Fund, and the 2002 PHDCFD #1 Special Tax Bonds Debt Service Fund. The operating budget takes the form of a two-year budget, which is adopted in its entirety by the City Council by resolution.

The operating budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions. The City Manager may approve supplemental appropriations up to \$100,000 in the General Fund in increments no larger than \$25,000. Council may approve additional appropriations throughout the year as well.

The operating budget for the Redevelopment Agency is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions. The Executive Director (City Manager) may approve supplemental appropriations in all funds, providing the total increase does not exceed 5% of the original total budget of all funds. Additional appropriations above the 5% level must be approved by the Agency.

The City Manager is also authorized to transfer budgeted amounts between individual departments and funds. Budget transfers between accounts within a department may be approved by the department director.

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

Budgeted amounts reported in the accompanying financial statements include budgeted amounts originally adopted, plus amendments. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**B. *Encumbrances***

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unencumbered operating appropriations lapse at year-end and may be reappropriated in the following year.

**NOTE 3 - CASH AND INVESTMENTS**

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except Cash with Fiscal Agents so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. Investments are carried at fair value.

**A. *Policies***

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the City's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the City's name and places the City ahead of general creditors of the institution pledging the collateral.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. In the City's case, fair value equals fair market value, since all of the City's investments are readily marketable.

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**B. Classification**

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

***Statement of Net Assets***

Cash and investments available for operations	\$28,088,274
Cash and investments held with Trustees	2,489,946

***Fiduciary Funds***

Cash and investments available for operations	963,898
Cash and investments held with Trustees	919,354
Total Cash and investments	<u>\$32,461,472</u>

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$3,255
Deposits with financial institutions	15,836
Investments	32,442,381
Total cash and investments	<u>\$32,461,472</u>

Cash and investments are used in preparing Proprietary Fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

**C. Investments Authorized by the California Government Code and the City's Investment Policy**

The City's Investment Policy and the California Government Code allow the City to invest in the following provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligation	5 years	N/A	100%	No Limit
U.S. Agency Securities	5 years	N/A	100%	No Limit
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A-1	25%	10%
Medium Term Notes	5 years	A-1	30%	No Limit
Repurchase Agreements	1 year	N/A	100%	No Limit
Time Deposits	N/A	N/A	100%	No Limit
Mutual Funds	N/A	Highest Category	20%	10%
Local Agency Investment Fund	N/A	N/A	\$40 million per account	No Limit

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

***D. Investments Authorized by Debt Agreements***

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>
U.S. Treasury Obligations		
U.S. Agency Securities		
U.S. Government Sponsored Enterprise		
State Obligations:		
General Obligation		A to AA
General Short-term Obligation		A
Special Revenue Bonds		AA
Municipal Obligations		Two Highest Categories
Pre-refunded Municipal Obligation		AAA
Unsecured Certificates of Deposit	30 days	A-1
FDIC insured deposits		
Repurchase Agreements	None to 30 days	A
Commercial Paper	None to 270 days	A-1 to Highest
Bankers Acceptances	360 days	A-1
Certificates of Deposit		
Collateralized Certificates of Deposit	365 days	A-1
Money Market Funds		Aam-G and AAam-G
Investment Agreement		
Local Agency Investment Fund		

***E. Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

	<u>Market Value</u>	<u>Maturity Date</u>
<b><i>Investments:</i></b>		
Federal Agency Issues:		
Federal National Mortgage Association	\$407,704	May 1, 2012 (A)
Guaranteed Investment Contracts	931,500	December 1, 2016
Guaranteed Investment Contracts	651,563	August 27, 2021
Local Agency Investment Fund	28,625,377	(B)
Money Market Fund	1,826,237	(C)
	<u>\$32,442,381</u>	
Total Investments	<u>\$32,442,381</u>	

(A) The FNMA issue is a mortgaged backed security and is subject to prepayment prior to maturity.

(B) The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2005, these investments matured in an average of 151 days.

(C) Money market funds are available for withdrawal on demand.

**F. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 20, 2005 for Money Market Funds are AAA as provided by Standard and Poor's investment rating system. Guaranteed Investment Contracts, the Local Agency Investment Fund and Federal National Mortgage Association were not rated as of June 30, 2005.

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**G. Concentration of Credit Risk**

Included in the table at E above are the following significant investments in the securities of any individual issuers, other than money market funds and external investment pools:

Issuer	Investment Type	Reported Amount
<b>Entity-wide:</b>		
AIG Matched Funding Corp.	Guaranteed Investment Contract	\$1,583,063
<b>Major Funds:</b>		
<b>Pleasant Hill Redevelopment TARB</b>		
AIG Matched Funding Corporation	Guaranteed Investment Contract	651,563
<b>Refunding Lease Revenue Bonds</b>		
AIG Matched Funding Corporation	Guaranteed Investment Contract	931,500
<b>Pleasant Hill Redevelopment Capital Projects</b>		
Federal National Mortgage Association	Federal agency securities	407,704

**NOTE 4 - INTERFUND TRANSACTIONS**

**A. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. As of June 30, 2005, the General Fund was owed \$148,939 by the TDM Agency Fund, \$11,761 by the Commercial Lighting and Landscaping District 20 Fund and \$12,305 by the TRANSPAC Agency Fund.

**B. Advance for Deferred Set Aside**

Under Section 33334.2 of the California Health and Safety Code, redevelopment agencies in California are generally required, unless certain annual findings are made, to set aside 20% of all tax increment received annually (the "Annual Set-Aside") in a Low and Moderate Income Housing Fund to be used within the jurisdiction of the Agency to increase and improve the supply of low and moderate income housing.

However, as provided in Section 33334.6, for project areas (or portions thereof) established prior to January 1, 1977, a redevelopment agency may defer its low and moderate income housing deposit requirements in any fiscal year that the agency finds that the deferral is necessary to make payments on "existing obligations" and, for fiscal years through 1995-96 only, to fund the orderly and timely completion of "public and private projects, programs or activities." Existing obligations include any loan, advance or indebtedness incurred by a redevelopment agency to finance or refinance, any redevelopment project existing on January 1, 1986 and contained on the statement of existing obligations of the Agency.

For fiscal years 1985-86 through 1991-92, the Agency deferred the annual set-aside on the original Commons Project Area pursuant to Section 33670. At June 30, 1992, the total amount deferred was \$1,161,749.

Beginning in fiscal year 1992-93, the Agency has set aside the required 20% of its gross tax increment revenues into a separate low and moderate income housing fund for all project areas.



**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

As required, the Agency has adopted a plan to eliminate the deferred amount. Beginning in fiscal 2002-2003 the Agency budgeted and has made annual repayments.

In fiscal year 2004-2005, the Agency repaid \$58,088 of the advance, leaving an outstanding balance of \$987,485.

**C. *Diablo Vista Water***

An advance in the amount of \$120,000 has been made from the General Fund to Diablo Vista Water Enterprise Fund for water system improvements. The advance is to be repaid with interest over ten years starting July 15, 2006. Interest will be based on the City's return on investments from the Local Agency Investment Fund.

**D. *Transfers Between Funds***

With Council or City Manager approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund. Transfers between funds during the fiscal year ended June 30, 2005 were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	<u>Notes</u>
General	<b>PERS IDDA</b>	829,798	F
<b>Special Revenue Funds:</b>			
Commercial Landscaping and Lighting District 20	<b>General</b>	143,020	A
Landscaping and Lighting Assessment District 22	<b>General</b>	2,968	A
Measure C Growth Management	<b>General</b>	124,549	C
Measure C Growth Management	<b>RDA Capital Projects</b>	1,500,000	C
Measure C Growth Management	<b>Traffic Congestion Relief Fund</b>	200,000	C
Commercial Landscaping and Lighting District 20	<b>NPDES</b>	88,500	C
Gas Tax Fund	<b>General</b>	711,000	C
Gas Tax Fund	<b>Measure C Growth Management</b>	505,000	C
Vehicle Abatement	<b>General</b>	56,660	D
DARE	<b>Police Service Fund</b>	980	E
<b>Debt Service Fund:</b>			
Refunding Lease Revenue Bonds	<b>General</b>	1,252,369	B
PHDCFD #1 Special Tax Bonds	<b>TARB Debt Service Fund</b>	672,543	H
<b>Capital Projects Funds:</b>			
Police Technology Fund	<b>General</b>	275,000	A
Computer Technology Replacement	<b>General</b>	250,000	A
Vehicle and Equipment Replacement	<b>General</b>	145,000	A
Capital Projects	<b>General</b>	117,330	A
RDA Capital Projects	<b>TARB Debt Service Fund</b>	1,474,000	G
Total Interfund Transfers		<u>\$8,348,717</u>	

The reasons for these transfers are set forth below:

- A Recurring transfers
- B To fund debt service
- C To fund portion of public works project
- D To fund Vehicle Abatement costs beyond amount received from County
- E To fund a portion of Police Department's DARE program
- F To fund PERS costs
- G To transfer excess funds from the debt service fund to the capital projects fund
- H To fund Net Tax Increment transfers to trustee for 2002 PHDCFD bonds for debt service, administrative expenses.

<p style="text-align: center;"><b>CITY OF PLEASANT HILL</b> <b>Notes to Financial Statements</b></p>
--

<p><b>NOTE 4 - INTERFUND TRANSACTIONS (Continued)</b></p>
---

**E.     *Internal Balances***

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

<p><b>NOTE 5 - REDEVELOPMENT ACTIVITIES</b></p>
---

**A.     *Land Held for Redevelopment***

The Redevelopment Agency purchases parcels of land in order to develop or redevelop blighted properties within the redevelopment areas. Such land parcels are carried at the lower of cost, net realizable value or agreed-upon sales price if a disposition and development agreement has been made with a developer.

**B.     *Pleasant Hill Downtown Project***

The Disposition and Development Agreement (DDA) between the Agency and the Pleasant Hill Downtown Project Developer ("RVIP") provides for Agency reimbursement of certain Developer costs, to be paid from net property tax increment revenues generated by the project. Following completion of the first phase of the Downtown Project in 2001, the Agency commenced its annual reimbursement payments in 2002. For fiscal 2004-2005, the Agency paid \$147,037 toward this obligation.

Annual tax sharing developer reimbursements are limited to amounts actually received by the Agency, after deducting low and moderate income housing set asides, amounts owed under pass-through agreements, and debt service.

Reimbursement for each phase terminates thirty years from the date of the Certificate of Completion for that phase or when total reimbursements for all three phases equals \$36,630,000, whichever is sooner.

**C.     *Gallery Walk Townhomes***

The Agency has an Agreement with Greystone Homes under which the Developer constructed 134 townhomes on a site known as the Cleveland Road Triangle, comprised of two Agency-owned parcels, certain parcels owned by the Developer, and parcels acquired from third parties. Twelve of the townhomes were required to be sold at affordable housing costs to moderate-income households. As of 06/30/03 the project was complete and all twelve units had been sold to moderate-income households through a lottery conducted by the Agency. The Agency is rebating net property tax increment revenues to the Developer as required by the Agreement. In FY 2004-2005 the Agency paid \$396,356 toward this obligation.

<p style="text-align: center;"><b>CITY OF PLEASANT HILL</b> <b>Notes to Financial Statements</b></p>
--

<p><b>NOTE 5 - REDEVELOPMENT ACTIVITIES (Continued)</b></p>
---

***D. Lodgeworks-Summerfield Suites Project***

In connection with the Pleasant Hill Downtown Project, the Agency and a Hotel Developer (“LodgeWorks”) entered into a DDA under which the Developer purchased Agency-owned land for \$2,200,000 and constructed a 142-suite hotel and parking lot. Per the terms of the DDA, the City will rebate to the Developer the first \$650,000 of transient occupancy tax (TOT) revenues generated by the hotel and fifty percent of subsequently received TOT revenues, for an additional \$500,000. The Hotel Project was completed in 2002. To date, the City has rebated \$681,634 in TOT revenues to the Developer, \$251,459 of it in fiscal 2004-2005.

***E. Crossroads Project***

The Agency and City have an Owner Participation Agreement with a Developer under which the Developer is to redevelop the former Montgomery Ward parcel of the Contra Costa Shopping Center Target Area. The Developer will substantially remodel and reduce the size of an existing building for use by a major retail store and develop new shops/restaurants along Monument Blvd. The Developer has also agreed to pay sixty percent of the costs of installing a new water main on Buskirk Avenue. Financing of the estimated \$27 million in project costs will be provided or arranged for by the Developer.

The Agency is obligated to pay for certain roadway improvements and forty percent of the cost of a new water main on Buskirk Avenue. These costs approximate \$2.8 million. The Agency has also agreed to a tax sharing arrangement under which it will reimburse \$200,000 annually to the Developer. The reimbursement is payable solely from property tax increment revenues generated by the project and expires in 25 years. If the annual property tax revenues generated are less than the annual reimbursement, the Agency has agreed to defer the deficit amount until future years and add interest at prime plus 1%. Accumulated deficit amounts and interest are repayable from future property tax increment revenues generated by the project.

Annual tax sharing developer reimbursements are limited to amounts actually received by Agency, after deducting low and moderate income housing set-asides, payments to taxing agencies pursuant to Health and Safety Code Sections 33607.5 and 33676, the allocable portion of Net Property Tax Increment Revenue, which the State Legislature may mandate that the Agency pay from time to time in the future including any payments which the Agency may be required to pay to the Education Revenue Augmentation Fund, and any incurred, outstanding or future refinancing of bonded indebtedness.

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 6 - NOTES RECEIVABLE**

**A. *Owner-Occupied Housing Rehabilitation Loans***

The Agency administers a housing rehabilitation loan program under which very low and low income homeowners are eligible to receive loans up to \$60,000 to be used to construct improvements on their homes. These loans bear five percent simple interest, have a fifteen year term and are secured by deeds of trust. Payments on the loans may be made monthly or may be deferred and paid at the end of the term or transfer of ownership. Activity for these loans is presented below for the year ended June 30, 2005:

	<u>Balances of Loans with</u>		
	Payments	Payments	
	Deferred	Made	
		Monthly	Total
Beginning Balance	\$1,411,970	\$128,483	\$1,540,453
New Loans Made	171,400		171,400
Loan Collections	(277,874)	(25,674)	(303,548)
Accrued Deferred Interest	(28,276)		(28,276)
Ending Balance	<u>\$1,277,220</u>	<u>\$102,809</u>	<u>\$1,380,029</u>

**B. *Grayson Creek Apartments***

In fulfillment of its obligation to replace low and moderate-income housing destroyed as part of the Pleasant Hill Downtown Project, the Agency entered into an Agreement with Bridge Housing Corporation, a non-profit housing developer, to provide \$150,000 annually for the construction and operation of a 71 unit low and moderate-income apartment project. In FY 1999-2000, the Agency and Bridge Housing Corporation amended their Agreement to allow for an additional \$50,000 to be provided for demolition costs. In FY 2001-2002 another amendment assigned the loan Agreement to Bridge Grayson Creek Associates and increased the remaining annual installments from \$150,000 to \$235,000, in the form of grants. The amendment decreased the loan amount from \$4,500,000 to \$1,005,000, and decreased the number of the units from 71 to 70. The payments commenced in July 1998 and will continue for 34 years or the life of the Pleasant Hill Commons Project Area, rather than 30 years as was in the previous agreement, whichever is less. Payments are made from the Agency's low and moderate-income Housing Fund. As of 10/14/03, construction of the apartment project was completed and the apartments have since been occupied. At June 30, 2005, the outstanding balance of the receivable, including accrued interest, was \$1,104,800.

In addition, the Agency has agreed to provide annual operating grants of \$235,000 to subsidize the operations of the complex from fiscal year 2003-2004 through fiscal year 2031-2032.

<p style="text-align: center;"><b>CITY OF PLEASANT HILL</b> <b>Notes to Financial Statements</b></p>
--

<p><b>NOTE 7 - CAPITAL ASSETS</b></p>
---------------------------------------

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

With the implementation of GASB Statement 34, the City has recorded all its public domain (infrastructure) capital assets, which include streets and roads, curbs and gutters, traffic control devices, drainage systems and street lighting systems.

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the “modified approach” may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Furniture and Equipment	3-15 years
Buildings and Improvements	30-50 years
Streets and Roads	50 years
Curbs and Gutters	50 years
Traffic Control Devices	30 years
Storm Drains	30 years
Street Lights	30 years
Diablo Vista Water Pipes and Fitting	50 years

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 7 - CAPITAL ASSETS (Continued)**

**A. Capital Asset Additions and Retirements**

Capital assets at June 30 comprise:

	Balance June 30, 2004	Additions	Transfers	Balance June 30, 2005
<b><i>Governmental activities</i></b>				
Capital assets not being depreciated:				
Land and improvements	\$3,406,821			\$3,406,821
Construction in progress	663,239	\$32,990	(\$242,990)	453,239
Total capital assets not being depreciated	4,070,060	32,990	(242,990)	3,860,060
Capital assets being depreciated:				
Buildings and improvements	13,664,554			13,664,554
Equipment and furniture	4,506,475	355,007		4,861,482
Streets and roads	46,984,799	1,041,175	242,990	48,268,964
Curbs and gutters	14,662,425	338,610		15,001,035
Storm drains	5,465,881	74,330		5,540,211
Street lights	825,893			825,893
Traffic control devices	2,197,620			2,197,620
Total capital assets being depreciated	88,307,647	1,809,122	242,990	90,359,759
Less accumulated depreciation for:				
Buildings and improvements	3,530,223	277,773		3,807,996
Equipment and furniture	2,604,874	451,078		3,055,952
Streets and roads	13,885,647	965,379		14,851,026
Curbs and gutters	4,623,180	300,021		4,923,201
Storm drains	2,891,780	184,489		3,076,269
Street lights	327,276	27,502		354,778
Traffic control devices	720,258	73,181		793,439
Total accumulated depreciation	28,583,238	2,279,423		30,862,661
Net capital assets being depreciated	59,724,409	(470,301)	242,990	59,497,098
Governmental activity capital assets, net	\$63,794,469	(\$437,311)		\$63,357,158
<b><i>Business-type activities</i></b>				
Capital assets, being depreciated:				
Water system infrastructure	\$160,071			\$160,071
Less accumulated depreciation for:				
Water system infrastructure	140,975	\$630		141,605
Business-type activity capital assets, net	\$19,096	\$630		\$18,466

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 7 - CAPITAL ASSETS (Continued)**

**B. Capital Asset Contributions**

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed. No assets were contributed as of June 30, 2005.

**C. Depreciation Allocation**

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

<b>Governmental Activities</b>	
General government	\$217,160
Public safety	356,646
Transportation	1,691,948
Community development	<u>13,669</u>
<b>Total Governmental Activities</b>	<b><u><u>\$2,279,423</u></u></b>
<b>Business-Type Activities</b>	
Diablo Vista Water	<u>\$630</u>
<b>Total Business-Type Activities</b>	<b><u><u>\$630</u></u></b>

**NOTE 8 - LONG TERM DEBT**

**A. Composition and Changes**

The City generally incurs long-term debt to finance projects or purchase assets that will have useful lives equal to or greater than the related debt. The City's bonded debt issues and transactions are summarized below and discussed in detail thereafter.

	<u>Balance</u> <u>June 30, 2004</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Current</u> <u>Portion</u>
<b>City Obligation:</b>				
Lease Revenue Refunding Bonds, Series 2004, 2.5-3.125%, due 12/1/16	\$9,315,000	\$1,050,000	\$8,265,000	\$780,000
<b>Redevelopment Agency Bonds:</b>				
2002 Tax Allocation Refunding Bonds, 2.0-4.3%, due 9/1/22	<u>8,470,000</u>	<u>375,000</u>	<u>8,095,000</u>	<u>380,000</u>
Total	<u><u>\$17,785,000</u></u>	<u><u>\$1,425,000</u></u>	<u><u>\$16,360,000</u></u>	<u><u>\$1,160,000</u></u>

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 8 - LONG TERM DEBT (Continued)**

**B. Summary of Debt Terms**

On April 15, 2004 the City issued (through the Pleasant Hill Joint Powers Financing Authority) **Lease Revenue Refunding Bonds, Series 2004** in the amount of \$9,315,000 to refund the 1993 Series A Bonds. Revenues primarily consisting of rental payments from the City and Debt Service Reserves held by the Trustee are pledged for the repayment of the Series 2004 Bonds. Interest is payable semiannually December 1 and June 1, and principal is payable each December 1. Bonds maturing on December 1, 2016 are subject to mandatory redemption on December 1, 2014 through 2016 at a redemption price equal to the principal amount to be redeemed together with the interest that has been accrued thereon.

The **2002 Tax Allocation Refunding Bonds** in the amount of \$8,860,000 were issued to pay off the 1991 Tax Allocation Refunding Bonds. Agency tax increment revenue and Debt Service Reserve held by the Trustee are pledged for the repayment of these Bonds. Interest is payable semi-annually each September 1 and March 1, and principal is payable each September 1. Bonds maturing on September 1, 2022 are subject to mandatory serial redemption on July 1, 2004 through 2021 at par plus earned interest.

**C. Debt Service Requirements**

Annual debt service requirements are shown below for all long-term debt:

Year Ending June 30	Principal	Interest	Totals
2006	\$1,160,000	\$487,416	\$1,647,416
2007	1,190,000	461,966	1,651,966
2008	985,000	440,216	1,425,216
2009	1,005,000	419,810	1,424,810
2010	1,020,000	396,504	1,416,504
2011-2015	5,570,000	1,533,259	7,103,259
2016-2020	4,210,000	594,431	4,804,431
2021-2025	1,220,000	52,483	1,272,483
Total	<u>\$16,360,000</u>	<u>\$4,386,085</u>	<u>\$20,746,085</u>

**D. Mortgage Revenue Bonds Without City Commitment**

In prior years, the City and Agency assisted low and moderate income homebuyers by sponsoring mortgage revenue bonds issued by developers. These bond issues provide cash to finance mortgages, but are solely repayable out of mortgage payments. The City and Agency have no direct or contingent liability or moral obligation for the payment of these bonds and have not recorded them as City or Agency debt. As of June 30, 2005, there were four mortgage revenue bond issues outstanding, in the aggregate principal amount of \$26,050,000.



<p style="text-align: center;"><b>CITY OF PLEASANT HILL</b> <b>Notes to Financial Statements</b></p>
--

<p><b>NOTE 9 - SPECIAL ASSESSMENT DEBT</b></p>
--

Special Assessment Districts are formed to construct improvements to infrastructure located within the Districts. Properties are assessed for the cost of improvements; these assessments are payable over the term of the debt issued to finance the improvements. The total amount of the assessment is recorded as receivable and deferred revenue at the time the related debt is issued, and reduced as assessments are collected. At June 30, 2005, the Districts are in compliance with the repayment and other requirements of their debt issues.

**A. *Special Assessment Debt without Agency Commitment***

As discussed in Note 5B, the Agency has an agreement with a developer which provided for the construction of the Pleasant Hill Downtown Project. In 1998, the developer, as sole property owner of the project site, voted to form the Pleasant Hill Downtown Community Facilities District No. 1 for the expressed purpose of issuing long-term tax exempt debt to provide the financing of infrastructure improvements within in the District. Concurrently, the Developer also approved the establishment of a Special Tax to be levied on the project site each year in amounts, which will be sufficient to repay the principal and interest on the District's long-term debt.

To assist the developer in financing the infrastructure costs of the project, the City assisted in the formation of the District and in the issuance of Special Tax Bonds, Series 1998A (\$7,365,000 at June 30, 2005) and Refunding Special Tax Bonds, Subordinated Series 2002. The City and Agency have no legal or moral liability with respect to the payment of the above debt, which is secured and serviced only by assessments on the properties and unexpended debt proceeds in the District. Neither the City or Agency has pledged their revenues or assets for the repayment of the District debt and as required under generally accepted accounting principals, the above debt has been excluded from the City and Agency's financial statements.

**B. *Special Assessment Debt with City Commitment***

On November 20, 2002, the City assisted the District in issuing \$7,290,000 of Refunding Special Tax Bonds, Subordinated Series 2002, which refinanced and retired prior debt. The Bonds bear interest at 2.4% to 6.0%, which is due semiannually commencing March 1, 2003. Principal is due annually commencing September 1, 2003.

These 2002 Bonds are also repayable from Special Tax levies similar in nature to those discussed above. Concurrently with the 2002 Bonds issuance, the Agency, City and Fiscal Agent for the 2002 Bonds entered into a pledge agreement under which the Agency will remit certain tax increment payments due to the developer, as discussed in Note 5D, directly to the Fiscal Agent for use in paying debt service on the 2002 Bonds on behalf of the developer. These payments to the trustee count toward the \$36,630,000 maximum developer reimbursement. Agency staff has stated that current tax increment revenues subject to the pledge agreement are sufficient to pay debt service on the 2002 Bonds. Accordingly, such debt is considered Special Assessment Debt with Agency Commitment and has been included in the Agency's financial statements.

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 9 - SPECIAL ASSESSMENT DEBT (Continued)**

In order to finance the construction of improvements, Special Assessment District #18 issued 1915 Act Improvement Bonds in 1986 in the original principal amount of \$1,465,744. The City is obligated to be the purchaser of last resort to repay this debt in the event of default by the District. The Bonds bear interest at 5.0% to 8.0%, principal is due annually on September 2, until 2006, and interest is due each March 2 and September 2 until September 2, 2006.

Special assessment debt with City commitment comprised:

	Balance June 30, 2004	Retirements	Balance June 30, 2005	Current Portion
<b>Assessment District No. 18 Improvement Bonds, 5.0-8.0%, due 9/2/06</b>	\$315,000	\$100,000	\$215,000	\$105,000
<b>Pleasant Hill Downtown Community District No.1 Refunding Special Tax Bonds Subordinated Series 2002, 2.4-5.2%, due 9/1/32</b>	7,115,000	115,000	7,000,000	120,000
Total	<u>\$7,430,000</u>	<u>\$215,000</u>	<u>\$7,215,000</u>	<u>\$225,000</u>

Special assessment debt service requirements, including principal and interest, are as follows:

Year Ending June 30	Total Principal	Total Interest	Total
2006	\$225,000	\$406,903	\$631,903
2007	230,000	394,193	624,193
2008	125,000	384,978	509,978
2009	130,000	379,493	509,493
2010	135,000	373,528	508,528
2011-2015	790,000	1,757,206	2,547,206
2016-2020	1,030,000	1,505,701	2,535,701
2021-2025	1,365,000	1,162,431	2,527,431
2026-2030	1,815,000	695,347	2,510,347
2031-2035	1,370,000	126,600	1,496,600
Total	<u>\$7,215,000</u>	<u>\$7,186,380</u>	<u>\$14,401,380</u>

**NOTE 10 - FUND BALANCES AND NET ASSETS**

GASB Statement 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

**A. Net Assets**

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

<p style="text-align: center;"><b>CITY OF PLEASANT HILL</b> <b>Notes to Financial Statements</b></p>
--

<p><b>NOTE 10 - FUND BALANCES AND NET ASSETS (Continued)</b></p>
--

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, Federal and State grant funds, and redevelopment funds restricted to low and moderate income purposes.

*Unrestricted* describes the portion of Net Assets which is not restricted to use.

**B. Reserves**

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds, or represent fund balance of assets not available for expenditures. The City cannot modify or remove these reserves, which are described below:

Reserve for **encumbrances** represents the portion of fund balance set aside for outstanding purchase orders.

Reserves for **long term notes receivables, loans receivables, advances to other funds and land held for redevelopment** are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

Reserve for **low/moderate income housing** is the portion of redevelopment fund balance legally required to be set-aside for low/moderate income housing expenditures.

Reserve for **debt service** is the portion of fund balance legally restricted for the payment of principal and interest on long term debt.

**C. Designations**

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource use in a future period. Such plans or intentions are subject to change and may not result in expenditure.

**D. Fund Deficits**

The Commercial Landscaping and Lighting District had a GAAP basis fund deficit at June 30, 2005 amounting to \$11,761.

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 10 - FUND BALANCES AND NET ASSETS (Continued)**

**E. Excess of Expenditures over Appropriations**

The following funds had expenditures in excess of budget due to unanticipated expenditures:

<i><b>Special Revenue Funds:</b></i>	<u>Amount</u>
Waste Management / Recycling	\$10,327
Gas Tax 2107.5	2,868
Police Special Services	200
Vehicle Abatement	10,272
<i><b>Debt Service Funds:</b></i>	
Pleasant Hill Redevelopment Commons TARB	314
Assessment District #18	4,048

**NOTE 11 - EMPLOYEE BENEFITS**

A substantial number of City employees are organized into bargaining units, which negotiate with the City to provide pay and a variety of benefits for their members. These bargaining units have agreements, which are periodically renegotiated and include the following:

	<u>Number of Members</u>	<u>Contract Termination Date</u>
Local #1	14	08/31/2006
Professional and Confidential	27	10/31/2006
Police Association	57	07/31/2005
Management	21	02/28/2006

**A. Post-Retirement Benefits**

All retirees with a minimum of five years of service with the City and who either reach age 50, or are on disability retirement, are entitled to have one year of dental insurance premiums paid by the City upon retirement. The City pays for the level of coverage the employee had at retirement.

Retirees with 20 or more years of service with the City receive an additional sick leave conversion benefit. Specific terms of the conversion differ for each employee group. In general, when employees with more than 20 years of service retire, they may convert unused sick leave hours at their current hourly rate, to a "fund" from which the City will pay their medical insurance premiums until depleted, or certain other conditions are satisfied. Management Pay Plan employees who choose a service retirement with 15 or more years of City service receive this benefit.

Police Association employees who choose a service retirement after 15 to 19 years of City employment are entitled to a scaled down sick leave conversion plan under which they may convert 50% of their unused sick leave, at 25% of their current hourly rate, to a similar "fund."

As of June 30, 2005, the City provided dental benefits or medical benefits for 19 retirees. 22 additional employees are eligible for the dental insurance benefits and 17 are eligible for sick leave conversion benefits upon retirement.

Benefits are expended on a pay-as-you-go basis and amounted to \$140,852 during fiscal 2004-05.

<b>CITY OF PLEASANT HILL</b> <b>Notes to Financial Statements</b>
--

<b>NOTE 11 - EMPLOYEE BENEFITS (Continued)</b>
--

**B.     *Deferred Compensation Plan***

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

The City has a contract with International City Managers' Association (ICMA) to manage and invest the assets of the Plan; ICMA pools the assets of the Plan with those of other participants and does not make separate investments for employees.

The City's contract with ICMA was amended January 1, 1997 to substitute a separate trust for the City as owner of the assets in the Plan, with the City becoming a trustee, but with no power over investment decisions. As a result, the assets in the Plan are not subject to claims by creditors of the City and are not reflected in the City's financial statements.

**C.     *CALPERS Safety and Miscellaneous Employees Plans***

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution.

Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2005 are summarized below:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	3.0%	1.426% - 2.418%
Required employee contribution rates	9%	7%
Required employer contribution rates	21.145%	7.442%

The City's labor contracts require it to pay the employees' contributions as well as its own.

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 11 - EMPLOYEE BENEFITS (Continued)**

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. The City does not have a net pension obligation since it pays these actuarially required liability.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service, and annual retirement benefit increases are assumed to be 3.25%. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

The Plans' actuarial value (which differs from market value) and funding progress over the past three years (the most recent available) is set forth below at their actuarial valuation date of June 30:

*Safety Plan:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2001	\$25,618,993	\$28,595,418	(\$2,976,425)	111.6%	\$2,898,063	(102.7%)
2002	28,307,079	26,713,524	1,593,555	94.4%	3,048,550	52.3%
2003	30,355,660	26,772,050	3,583,610	88.2%	3,443,243	104.1%

*Miscellaneous Plan:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2001	\$20,885,488	\$25,888,008	(\$5,002,520)	124.0%	\$5,522,213	(90.6%)
2002	23,107,070	24,556,297	(1,449,227)	106.3%	6,193,108	(23.4%)
2003	26,517,412	24,960,858	1,556,554	94.1%	6,735,516	23.1%

**CITY OF PLEASANT HILL**  
**Notes to Financial Statements**

**NOTE 11 - EMPLOYEE BENEFITS (Continued)**

Audited annual financial statements and ten year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

The market value of the net assets in the Plans held for pension benefits changed as follows during the year ended June 30, 2003 (the most recent available),

	Safety	Miscellaneous
Beginning Balance 6/30/02	\$26,713,524	\$26,556,297
Contributions received	366,528	530,784
Benefits and Refunds Paid	(1,118,415)	(905,228)
Transfers and Adjustments	(68,810)	(53,314)
Expected Investment Earnings Credited	2,170,683	2,008,599
Expected Actuarial Value of Asset as of 6/30/03	<u>\$28,063,510</u>	<u>\$28,137,138</u>
Market Value of Assets as of 6/30/03	<u>\$24,338,227</u>	<u>\$22,691,689</u>
Actuarial Value of Assets as of 6/30/03	<u>\$26,772,050</u>	<u>\$24,960,858</u>

Annual pension costs, representing the payment of all contributions required by CALPERS, for the three fiscal years ended June 30, 2005, 2004 and 2002 amount to \$2,094,263, \$1,003,918, and \$769,297, respectively.

**D. Social Security**

The Omnibus Budget Reconciliation Act of 1990 (COBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan.

The City's part-time seasonal and temporary employees, as well as employees not eligible for CALPERS coverage, are covered under Social Security, which requires these employees and the City to each contribute 6.2% of the employees pay. Total contributions to Social Security during the year ended June 30, 2005 amounted to \$15,058 of which the City paid half.

**NOTE 12 - RISK MANAGEMENT**

**A. Municipal Pooling Authority**

The City is a member of the Municipal Pooling Authority (Formerly known as Contra Costa County Municipal Risk Management Insurance Authority or CCCMRMIA), a joint powers agency that provides coverage against the following types of loss risks:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$25,000)	\$15,000,000
Auto - Physical damage (\$3,000 for police vehicles, \$2,000 for all others)	\$250,000
Workers' Compensation (no deductible)	Statutory
All Risk Fire & Property Including Flood (\$5,000)	\$1,000,000,000
Boiler & Machinery (\$5,000)	\$10,000,000

<b>CITY OF PLEASANT HILL</b> <b>Notes to Financial Statements</b>
--

<b>NOTE 12 - RISK MANAGEMENT (Continued)</b>
--

The Municipal Pooling Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Municipal Pooling Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the Municipal Pooling Authority are in accordance with formulas established by the Municipal Pooling Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Financial statements may be obtained from Municipal Pooling Authority, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

**B. *Liability for Uninsured Claims***

Municipalities are required to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims.

The City's liability for uninsured claims, based on claims history, was computed as follows and is recorded in the General Fund:

	2005	2004
Beginning balance	\$115,178	\$121,501
Liability for current fiscal year claims	63,967	15,546
Liability for prior fiscal year claims and incurred but not reported (IBNR)	(116,207)	(100,497)
Claims paid	35,108	78,628
Ending balance	<u>\$98,046</u>	<u>\$115,178</u>

<b>NOTE 13 - CONTINGENT LIABILITIES</b>
---

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

The City participates in Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act as amended in 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors, and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.



<b>MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS</b>
--

GASB 34 does not require budget versus actual presentations for Capital Projects Funds and Debt Service Funds. These are included here for additional analysis.

**PLEASANT HILL REDEVELOPMENT CAPITAL PROJECTS FUND**

Accounts for acquiring land and facilities for urban redevelopment within the Pleasant Hill Commons and the Pleasant Hill Schoolyard Project Areas.

**PLEASANT HILL REDEVELOPMENT COMMONS TARB DEBT SERVICE FUND**

Accounts for funds to be used for payment of debt service on the Tax Allocation Refunding Bonds issued in October 2002. Debt service is financed by property tax increments.

CITY OF PLEASANT HILL  
 PLEASANT HILL REDEVELOPMENT CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	\$1,435,786	\$1,518,026	\$82,240
Rental	9,324	4,795	(4,529)
Developer fees		8,333	8,333
Use of money and property	152,536	239,261	86,725
Other	14,418	828,563	814,145
Total Revenues	<u>1,612,064</u>	<u>2,598,978</u>	<u>986,914</u>
EXPENDITURES			
Current			
Community development	<u>3,092,598</u>	<u>2,589,786</u>	<u>502,812</u>
Total Expenditures	<u>3,092,598</u>	<u>2,589,786</u>	<u>502,812</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,480,534)</u>	<u>9,192</u>	<u>1,489,726</u>
OTHER FINANCING SOURCES (USES)			
Gain (Loss) on sale of property		(6,791)	(6,791)
Transfers in	1,474,000	1,474,000	
Transfers (out)	<u>(1,500,000)</u>	<u>(1,500,000)</u>	
Total Other Financing Sources (Uses)	<u>(26,000)</u>	<u>(32,791)</u>	<u>(6,791)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$1,506,534)</u>	<u>(23,599)</u>	<u>\$1,482,935</u>
BEGINNING FUND BALANCE		<u>8,655,348</u>	
ENDING FUND BALANCE		<u><u>\$8,631,749</u></u>	

CITY OF PLEASANT HILL  
 PLEASANT HILL REDEVELOPMENT COMMONS TARB DEBT SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	\$2,316,929	\$2,355,511	\$38,582
Use of money and property	36,597	66,305	29,708
Total Revenues	2,353,526	2,421,816	68,290
EXPENDITURES			
Debt Service			
Principal	375,000	375,000	
Interest and fiscal charges	275,384	275,698	(314)
Total Expenditures	650,384	650,698	(314)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,703,142	1,771,118	67,976
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(2,146,543)	(2,146,543)	
Total Other Financing Sources (Uses)	(2,146,543)	(2,146,543)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$443,401)	(375,425)	\$67,976
BEGINNING FUND BALANCE		1,731,452	
ENDING FUND BALANCE		\$1,356,027	

<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
-------------------------------------

**TRAFFIC MITIGATION FUND** accounts for fees assessed on new development to provide for street or other traffic improvements.

**PERS IDDA FUND** accounts for surplus retirement funds that were paid back to the City by PERS on a one-time basis. AB702 created these resources, and the funds have been set aside to pay for future PERS rate increases, as well as to postpone the reduction of the City's work force.

**TRAFFIC SAFETY FUND** accounts for fines collected from misdemeanor traffic violations involving a moving vehicle. These funds are used to provide crossing guards at major streets near elementary schools.

**GAS TAX FUND** accounts for gas tax apportioned by the state to the cities based upon three factors: vehicle registration, assessed valuation and population. These funds are used for street construction and maintenance.

**GAS TAX 2107.5 FUND** accounts for gas tax apportioned by the State to cities based on population. This fund is used for engineering and administrative costs only.

**UNIFIED STREET LIGHTING FUND** accounts for an allocation of property taxes used to provide street lighting.

**COMMERCIAL LANDSCAPING AND LIGHTING DISTRICT 20 FUND** accounts for assessments on commercial property that pay for landscape maintenance, street lighting and sidewalk repair costs within commercial districts.

**NPDES FUND** accounts for storm water utility fees assessed to property owners citywide on their property tax bills. The funds are used to pay for the "National Pollution Discharge Elimination System," mandated by the Federal government to prevent further polluting of streams and bays.

**SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND** accounts for funds allocated by the State for front-line municipal police services.

**WASTE MANAGEMENT/RECYCLING FUND** accounts for activities to implement AB939 which mandates a decrease in the volume of landfill waste, as well as for household hazardous waste programs.

**LOCAL LAW ENFORCEMENT BLOCK GRANT FUND** accounts for federal grant proceeds for specific law enforcement purposes.

**POLICE SPECIAL SERVICES FUND** accounts for asset forfeitures from drug-related convictions. These funds may only be used for drug-related education and enforcement activities.

**PARK AND RECREATION FUND** accounts for funds received from the Pleasant Hill Recreation and Park District for the purchase of the Community Center land, as well as funds received and receivable from any park-related revenue source. Proceeds will be used for park-related and recreation-related purposes.

**LANDSCAPING AND LIGHTING ASSESSMENT DISTRICT 22 FUND** accounts for assessments received from Grayson Woods and Gallery Walk property owners to pay for landscaping and lighting costs in these developments.

**SENIOR VAN SERVICES FUND** accounts for donations and fare revenues, as well as City-paid expenses of operating a van service for transporting non-driving Pleasant Hill seniors to medical and dental appointments in the local area, shopping within Pleasant Hill, and to the Pleasant Hill Senior Center for social activities.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
---

**CLEEP (CALIFORNIA LAW ENFORCEMENT EQUIPMENT PROGRAM) GRANT FUND** accounts for State grant funds to be used for law enforcement-related equipment purchases.

**VEHICLE ABATEMENT FUND** accounts for funds received quarterly from Contra Costa County for vehicle abatement (based on the number of vehicles abated), as well as an annual year-end transfer from the General Fund to cover expenses beyond the amount of the county's contribution. On an annual basis 40% of the Code Enforcement investigator's salary and benefits are charged to this fund to approximate the amount of time spent on vehicle abatement.

**AFFORDABLE HOUSING FUND** accounts for fees received from developers in lieu of providing affordable housing in their project, as is otherwise required. The City is developing a plan to use these funds to provide assistance to low-income families and individuals in acquiring housing.

**TRAFFIC CONGESTION RELIEF FUND** accounts for the funds received from the State as a result of AB 2928 and SB 1662 (Statutes of 2000) and the related expenditures. These funds are to be used for maintenance, rehabilitation, and reconstruction projects for public streets and roads.

**DARE FUND** accounts for funds donated by individuals, businesses, and service organizations, as well as funds raised by fundraising events specifically for the D.A.R.E. program. Typical expenditures are books, supplies, t-shirts for this anti-drug program in the local schools.

**CAPITAL OUTLAY FUND (also known as Bedroom Tax Fund)** accounts for acquiring, building, improving or expanding public property and facilities.

**COMPUTER TECHNOLOGY REPLACEMENT FUND** accounts for scheduled and unscheduled replacement of computer-related technology (such as servers, computer, printers, etc.) for City Hall and the Corporation Yard. A flat amount is transferred from General Fund annually for that purpose.

**VEHICLES AND EQUIPMENT REPLACEMENT FUND** accounts for acquiring City vehicles, and communication gear, and is funded by General Fund transfers.

**POLICE TECHNOLOGY FUND** accounts for scheduled and unscheduled replacement of radios, copiers, and computer-related technology (such as servers, computers, printers, etc.) for the Police Department. Annually, a flat amount is transferred from General Fund for that purpose.

**CAPITAL PROJECTS FUND** accounts for making capital improvements and funding large maintenance projects.

**REFUNDING LEASE REVENUE BONDS FUND** - accounts for funds used to pay principal and interest on the Lease Revenue Refunding Bonds, Series 2004.

**ASSESSMENT DISTRICT #18 FUND** accounts for funds used to repay principal and interest on the City of Pleasant Hill Assessment District No. 18 Improvement Bonds, which were issued under the 1915 Act in June 1986. Debt service is financed by assessments paid by property owners in the district on their property tax bills.

**2002 PHDCFD #1 SPECIAL TAX BONDS FUND** accounts for funds used to repay the principal and interest on the 2002 PHDCFD #1 Bonds. The funds come from the Redevelopment Commons Tax Allocation Refunding Bonds Debt Service Fund 71, and are the result of the semi-annual calculation of Excess Tax Increment on the Commons properties in the Downtown project area, as detailed in the Amended and Restated Disposition and Development Agreement with Burnham Pacific Properties and assigned to RVIP, the current owner of the Downtown project.

CITY OF PLEASANT HILL  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2005

	SPECIAL REVENUE FUNDS				
	Traffic Mitigation	PERS IDDA	Traffic Safety	Gas Tax	Gas Tax 2107.5
ASSETS					
Cash and investments					
City Treasury	\$1,335,659		\$6,497	\$1,471,829	\$28,985
Trustee accounts					
Receivables					
Accounts and other			16,617	53,895	6,000
Interest	9,280		48	9,638	216
Total Assets	<u>\$1,344,939</u>		<u>\$23,162</u>	<u>\$1,535,362</u>	<u>\$35,201</u>
LIABILITIES					
Accounts payable and accrued liabilities				\$4,055	
Deferred revenue					
Due to other funds					
Total Liabilities				<u>4,055</u>	
FUND EQUITY					
Fund balances					
Reserved for:					
Encumbrances	\$27,997			32,320	
Debt service					
Unreserved, undesignated	1,316,942		\$23,162	1,498,987	\$35,201
Total Fund Balances (Deficit)	<u>1,344,939</u>		<u>23,162</u>	<u>1,531,307</u>	<u>35,201</u>
Total Liabilities and Fund Balances	<u>\$1,344,939</u>		<u>\$23,162</u>	<u>\$1,535,362</u>	<u>\$35,201</u>

SPECIAL REVENUE FUNDS						
Unified Street Lighting	Commercial Landscaping and Lighting District 20	NPDES	Supplemental Law Enforcement Services	Waste Management/ Recycling	Local Law Enforcement Block Grant	Police Special Services
\$449,482		\$822,373	\$197,466	\$368,010	\$7,341	\$31,848
3,269		5,139	1,512	16,416 2,601	66	216
<u>\$452,751</u>	<u></u>	<u>\$827,512</u>	<u>\$198,978</u>	<u>\$387,027</u>	<u>\$7,407</u>	<u>\$32,064</u>
		\$14,988				
	<u>\$11,761</u>					
	<u>11,761</u>	<u>14,988</u>				
		36,019	\$96,031			
<u>\$452,751</u>	<u>(11,761)</u>	<u>776,505</u>	<u>102,947</u>	<u>\$387,027</u>	<u>\$7,407</u>	<u>\$32,064</u>
<u>452,751</u>	<u>(11,761)</u>	<u>812,524</u>	<u>198,978</u>	<u>387,027</u>	<u>7,407</u>	<u>32,064</u>
<u>\$452,751</u>	<u></u>	<u>\$827,512</u>	<u>\$198,978</u>	<u>\$387,027</u>	<u>\$7,407</u>	<u>\$32,064</u>

(Continued)

CITY OF PLEASANT HILL  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2005

	SPECIAL REVENUE FUNDS				
	Park and Recreation	Landscaping and Lighting Assessment District 22	Senior Van Services	CLEEP Grant Fund	Vehicle Abatement Fund
ASSETS					
Cash and investments					
City Treasury	\$1,116,429	\$91,971	\$61,125	\$81,102	\$15
Trustee accounts					
Receivables					
Accounts and other					280
Interest	7,890	658	431	566	
Total Assets	<u>\$1,124,319</u>	<u>\$92,629</u>	<u>\$61,556</u>	<u>\$81,668</u>	<u>\$295</u>
LIABILITIES					
Accounts payable and accrued liabilities					
Deferred revenue				\$45,460	
Due to other funds					
Total Liabilities				<u>45,460</u>	
FUND EQUITY					
Fund balances					
Reserved for:					
Encumbrances				29,165	
Debt service					
Unreserved, undesignated	<u>\$1,124,319</u>	<u>\$92,629</u>	<u>\$61,556</u>	<u>7,043</u>	<u>\$295</u>
Total Fund Balances (Deficit)	<u>1,124,319</u>	<u>92,629</u>	<u>61,556</u>	<u>36,208</u>	<u>295</u>
Total Liabilities and Fund Balances	<u>\$1,124,319</u>	<u>\$92,629</u>	<u>\$61,556</u>	<u>\$81,668</u>	<u>\$295</u>



SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS				
Affordable Housing	DARE	Capital Outlay	Computer Technology Replacement	Vehicles and Equipment Replacement	Police Technology Fund	Capital Projects
\$166,416		\$338,588	\$289,709	\$159,696	\$359,313	\$352,914
1,176		2,382				
<u>\$167,592</u>		<u>\$340,970</u>	<u>\$289,709</u>	<u>\$159,696</u>	<u>\$359,313</u>	<u>\$352,914</u>
			\$8,300		\$14,444	\$3,650
			8,300		14,444	3,650
				\$39,683	\$80,860	
<u>\$167,592</u>		<u>\$340,970</u>	<u>281,409</u>	<u>120,013</u>	<u>264,009</u>	<u>349,264</u>
<u>167,592</u>		<u>340,970</u>	<u>281,409</u>	<u>159,696</u>	<u>344,869</u>	<u>349,264</u>
<u>\$167,592</u>		<u>\$340,970</u>	<u>\$289,709</u>	<u>\$159,696</u>	<u>\$359,313</u>	<u>\$352,914</u>

(Continued)

CITY OF PLEASANT HILL  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2005

	DEBT SERVICE FUNDS			Total Nonmajor Governmental Funds
	Refunding Lease Revenue Bonds	Assessment District #18	2002 PHDCFD #1 Special Tax Bonds	
ASSETS				
Cash and investments				
City Treasury		\$231,191		\$7,967,959
Trustee accounts	\$969,967		\$853,892	1,823,859
Receivables				
Accounts and other				93,208
Interest		1,628		46,716
Total Assets	<u>\$969,967</u>	<u>\$232,819</u>	<u>\$853,892</u>	<u>\$9,931,742</u>
LIABILITIES				
Accounts payable and accrued liabilities				\$45,437
Deferred revenue				45,460
Due to other funds				11,761
Total Liabilities				<u>102,658</u>
FUND EQUITY				
Fund balances				
Reserved for:				
Encumbrances				342,075
Debt service	\$969,967	\$232,819	\$853,892	2,056,678
Unreserved, undesignated				7,430,331
Total Fund Balances (Deficit)	<u>969,967</u>	<u>232,819</u>	<u>853,892</u>	<u>9,829,084</u>
Total Liabilities and Fund Balances	<u>\$969,967</u>	<u>\$232,819</u>	<u>\$853,892</u>	<u>\$9,931,742</u>

CITY OF PLEASANT HILL  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUNDS				
	Traffic Mitigation	PERS IDDA	Traffic Safety	Gas Tax	Gas Tax 2107.5
REVENUES					
Property taxes					
Other taxes and special assessments					
Rental					
Intergovernmental	\$74,548			\$1,130,245	\$6,000
Charges for services	33,837				
Fines and forfeitures			\$84,560		
Use of money and property	30,814	\$7,638	328	20,682	681
Other					
Total Revenues	139,199	7,638	84,888	1,150,927	6,681
EXPENDITURES					
Current					
General government					
Public safety			83,886		
Transportation	240			1,490,365	2,868
Community Development					
Capital outlay					
Debt Service					
Principal retirement					
Interest and fiscal charges					
Total Expenditures	240		83,886	1,490,365	2,868
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	138,959	7,638	1,002	(339,438)	3,813
OTHER FINANCING SOURCES (USES)					
Transfers in				1,216,000	
Transfers (out)	(200,000)	(829,798)			
Total Other Financing Sources (Uses)	(200,000)	(829,798)		1,216,000	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(61,041)	(822,160)	1,002	876,562	3,813
BEGINNING FUND BALANCES (DEFICIT)	1,405,980	822,160	22,160	654,745	31,388
ENDING FUND BALANCES (DEFICIT)	\$1,344,939		\$23,162	\$1,531,307	\$35,201

**SPECIAL REVENUE FUNDS**

<u>Unified Street Lighting</u>	<u>Commercial Landscaping and Lighting District 20</u>	<u>NPDES</u>	<u>Supplemental Law Enforcement Services</u>	<u>Waste Management/ Recycling</u>	<u>Local Law Enforcement Block Grant</u>	<u>Police Special Services</u>
\$307,790	\$350,433					
			\$100,000	\$9,345		\$17,586
		\$396,856		99,482		
8,562		16,558	4,253	8,011	\$217	548
		853				
<u>316,352</u>	<u>350,433</u>	<u>414,267</u>	<u>104,253</u>	<u>116,838</u>	<u>217</u>	<u>18,134</u>
199,652				27,359		
		32,970	53,813		3,505	200
	472,824	376,580				
		14,086		61,983		
<u>199,652</u>	<u>472,824</u>	<u>423,636</u>	<u>53,813</u>	<u>89,342</u>	<u>3,505</u>	<u>200</u>
116,700	(122,391)	(9,369)	50,440	27,496	(3,288)	17,934
	231,520					
		(88,500)				(980)
	231,520	(88,500)				(980)
116,700	109,129	(97,869)	50,440	27,496	(3,288)	16,954
<u>336,051</u>	<u>(120,890)</u>	<u>910,393</u>	<u>148,538</u>	<u>359,531</u>	<u>10,695</u>	<u>15,110</u>
<u>\$452,751</u>	<u>(\$11,761)</u>	<u>\$812,524</u>	<u>\$198,978</u>	<u>\$387,027</u>	<u>\$7,407</u>	<u>\$32,064</u>

(Continued)

CITY OF PLEASANT HILL  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUNDS				
	Park and Recreation	Landscaping and Lighting Assessment District 22	Senior Van Services	CLEEP Grant Fund	Vehicle Abatement Fund
REVENUES					
Property taxes					
Other taxes and special assessments		\$56,294			
Rental					
Intergovernmental					\$19,572
Charges for services			\$2,950		
Fines and forfeitures					905
Use of money and property	\$24,625	1,860	1,361	\$1,768	
Other					
Total Revenues	24,625	58,154	4,311	1,768	20,477
EXPENDITURES					
Current					
General government					
Public safety					
Transportation		47,765			
Community development			4,418		77,103
Capital outlay					
Debt Service					
Principal retirement					
Interest and fiscal charges					
Total Expenditures		47,765	4,418		77,103
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24,625	10,389	(107)	1,768	(56,626)
OTHER FINANCING SOURCES (USES)					
Transfers in		2,968			56,660
Transfers (out)					
Total Other Financing Sources (Uses)		2,968			56,660
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	24,625	13,357	(107)	1,768	34
BEGINNING FUND BALANCES (DEFICIT)	1,099,694	79,272	61,663	34,440	261
ENDING FUND BALANCES (DEFICIT)	\$1,124,319	\$92,629	\$61,556	\$36,208	\$295

SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS				
Affordable Housing	DARE	Capital Outlay	Computer Technology Replacement	Vehicle and Equipment Replacement	Police Technology Fund	Capital Projects
		\$7,542				
	\$5,255					
\$3,671		7,352				
	1,185		\$600	\$16,671		
3,671	6,440	14,894	600	16,671		
						\$21,643
	8,103					19,313
		216				840
			123,012	108,489	\$83,052	
	8,103	216	123,012	108,489	83,052	41,796
3,671	(1,663)	14,678	(122,412)	(91,818)	(83,052)	(41,796)
	980		250,000	145,000	275,000	117,330
	980		250,000	145,000	275,000	117,330
3,671	(683)	14,678	127,588	53,182	191,948	75,534
163,921	683	326,292	153,821	106,514	152,921	273,730
\$167,592		\$340,970	\$281,409	\$159,696	\$344,869	\$349,264

(Continued)

CITY OF PLEASANT HILL  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2005

	DEBT SERVICE FUNDS			
	Refunding Lease Revenue Bonds	Assessment District #18	2002 PHDCFD #1 Special Tax Bonds	Total Nonmajor Governmental Funds
REVENUES				
Property taxes				\$307,790
Other taxes and special assessments		\$75,047		489,316
Rental	\$75,821			75,821
Intergovernmental				1,362,551
Charges for services				533,125
Fines and forfeitures				85,465
Use of money and property			\$9,696	148,625
Other	38,717	4,773		62,799
Total Revenues	114,538	79,820	9,696	3,065,492
EXPENDITURES				
Current				
General government				248,654
Public safety				201,790
Transportation				2,391,698
Community development				157,590
Capital outlay				314,553
Debt Service				
Principal retirement	1,050,000	100,000	115,000	1,265,000
Interest and fiscal charges	282,842	32,060	561,866	876,768
Total Expenditures	1,332,842	132,060	676,866	5,456,053
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,218,304)	(52,240)	(667,170)	(2,390,561)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,252,369		672,543	4,220,370
Transfers (out)				(1,119,278)
Total Other Financing Sources (Uses)	1,252,369		672,543	3,101,092
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	34,065	(52,240)	5,373	710,531
BEGINNING FUND BALANCES (DEFICIT)	935,902	285,059	848,519	9,118,553
ENDING FUND BALANCES (DEFICIT)	\$969,967	\$232,819	\$853,892	\$9,829,084

CITY OF PLEASANT HILL  
BUDGETED NON-MAJOR FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	TRAFFIC MITIGATION			PERS IDDA		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes and special assessments						
Rental						
Intergovernmental		\$74,548	\$74,548			
Charges for services	\$120,000	33,837	(86,163)			
Fines and forfeitures						
Developers fees and reimbursement						
Use of money and property	30,259	30,814	555		\$7,638	\$7,638
Other						
Total Revenues	150,259	139,199	(11,060)		7,638	7,638
EXPENDITURES						
Current						
General government						
Public safety						
Transportation	28,237	240	27,997			
Community development						
Capital outlay						
Debt service						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	28,237	240	27,997			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	122,022	138,959	16,937		7,638	7,638
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(200,000)	(200,000)		(\$822,825)	(829,798)	(6,973)
Total Other Financing Sources (Uses)	(200,000)	(200,000)		(822,825)	(829,798)	(6,973)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$77,978)</u>	<u>(61,041)</u>	<u>\$16,937</u>	<u>(\$822,825)</u>	<u>(822,160)</u>	<u>\$665</u>
BEGINNING FUND BALANCES (DEFICIT)		<u>1,405,980</u>			<u>822,160</u>	
ENDING FUND BALANCES (DEFICIT)		<u><u>\$1,344,939</u></u>			<u><u></u></u>	



TRAFFIC SAFETY			GAS TAX			GAS TAX 2107.5		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$1,031,570	\$1,130,245	\$98,675	\$6,000	\$6,000	
\$50,000	\$84,560	\$34,560						
289	328	39		20,682	20,682	383	681	\$298
50,289	84,888	34,599	1,031,570	1,150,927	119,357	6,383	6,681	298
86,113	83,886	2,227	2,603,923	1,490,365	1,113,558		2,868	(2,868)
86,113	83,886	2,227	2,603,923	1,490,365	1,113,558		2,868	(2,868)
(35,824)	1,002	36,826	(1,572,353)	(339,438)	1,232,915	6,383	3,813	(2,570)
21,354		(21,354)	1,514,136 (31,203)	1,216,000	(298,136) 31,203			
21,354		(21,354)	1,482,933	1,216,000	(266,933)			
<u>(\$14,470)</u>	1,002	<u>\$15,472</u>	<u>(\$89,420)</u>	876,562	<u>\$965,982</u>	<u>\$6,383</u>	3,813	<u>(\$2,570)</u>
	22,160			654,745			31,388	
	<u>\$23,162</u>			<u>\$1,531,307</u>			<u>\$35,201</u>	

(Continued)

CITY OF PLEASANT HILL  
BUDGETED NON-MAJOR FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	UNIFIED STREET LIGHTING			COMMERCIAL LANDSCAPING AND LIGHTING DISTRICT 20		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$298,325	\$307,790	\$9,465			
Other taxes and special assessments				\$355,698	\$350,433	(\$5,265)
Rental						
Intergovernmental						
Charges for services						
Fines and forfeitures						
Developers fees and reimbursement						
Use of money and property	6,031	8,562	2,531			
Other						
Total Revenues	304,356	316,352	11,996	355,698	350,433	(5,265)
EXPENDITURES						
Current						
General government	252,146	199,652	52,494			
Public safety						
Transportation				653,305	472,824	180,481
Community development						
Capital outlay						
Debt service						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	252,146	199,652	52,494	653,305	472,824	180,481
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	52,210	116,700	64,490	(297,607)	(122,391)	175,216
OTHER FINANCING SOURCES (USES)						
Transfers in				231,520	231,520	
Transfers (out)						
Total Other Financing Sources (Uses)				231,520	231,520	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$52,210	116,700	\$64,490	(\$66,087)	109,129	\$175,216
BEGINNING FUND BALANCES (DEFICIT)		336,051			(120,890)	
ENDING FUND BALANCES (DEFICIT)		\$452,751			(\$11,761)	

NPDES			SUPPLEMENTAL LAW ENFORCEMENT SERVICES			WASTE MANAGEMENT/RECYCLING		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$425,000	\$396,856	(\$28,144)	\$100,000	\$100,000		\$111,000	\$9,345 99,482	\$9,345 (11,518)
12,768	16,558 853	3,790 853	2,845	4,253	\$1,408	7,216	8,011	795
437,768	414,267	(23,501)	102,845	104,253	1,408	118,216	116,838	(1,378)
37,500	32,970	4,530	245,398	53,813	191,585	26,108	27,359	(1,251)
803,046	376,580	426,466						
12,500	14,086	(1,586)				52,907	61,983	(9,076)
853,046	423,636	429,410	245,398	53,813	191,585	79,015	89,342	(10,327)
(415,278)	(9,369)	405,909	(142,553)	50,440	192,993	39,201	27,496	(11,705)
(88,500)	(88,500)							
(88,500)	(88,500)							
(\$503,778)	(97,869)	\$405,909	(\$142,553)	50,440	\$192,993	\$39,201	27,496	(\$11,705)
	910,393			148,538			359,531	
	\$812,524			\$198,978			\$387,027	

(Continued)

CITY OF PLEASANT HILL  
BUDGETED NON-MAJOR FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	LOCAL LAW ENFORCEMENT BLOCK GRANT			POLICE SPECIAL SERVICES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes and special assessments						
Rental						
Intergovernmental	\$20,000		(\$20,000)		\$17,586	\$17,586
Charges for services						
Fines and forfeitures						
Developers fees and reimbursement						
Use of money and property	233	\$217	(16)	\$298	548	250
Other						
Total Revenues	20,233	217	(20,016)	298	18,134	17,836
EXPENDITURES						
Current						
General government						
Public safety	11,819	3,505	8,314		200	(200)
Transportation						
Community development						
Capital outlay						
Debt service						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	11,819	3,505	8,314		200	(200)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,414	(3,288)	(11,702)	298	17,934	17,636
OTHER FINANCING SOURCES (USES)						
Transfers in	2,200		(2,200)			
Transfers (out)					(980)	(980)
Total Other Financing Sources (Uses)	2,200		(2,200)		(980)	(980)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$10,614	(3,288)	(\$13,902)	\$298	16,954	\$16,656
BEGINNING FUND BALANCES (DEFICIT)		10,695			15,110	
ENDING FUND BALANCES (DEFICIT)		\$7,407			\$32,064	

PARK AND RECREATION			LANDSCAPING AND LIGHTING ASSESSMENT DISTRICT 22			SENIOR VAN SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$56,293	\$56,294	\$1			
						\$3,090	\$2,950	(\$140)
\$21,998	\$24,625	\$2,627	1,049	1,860	811	1,197	1,361	164
21,998	24,625	2,627	57,342	58,154	812	4,287	4,311	24
			87,638	47,765	39,873	6,250	4,418	1,832
			87,638	47,765	39,873	6,250	4,418	1,832
21,998	24,625	2,627	(30,296)	10,389	40,685	(1,963)	(107)	1,856
			2,968	2,968				
			2,968	2,968				
\$21,998	24,625	\$2,627	(\$27,328)	13,357	\$40,685	(\$1,963)	(107)	\$1,856
	1,099,694			79,272			61,663	
	\$1,124,319			\$92,629			\$61,556	

(Continued)

CITY OF PLEASANT HILL  
BUDGETED NON-MAJOR FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	CLEEP GRANT FUND			VEHICLE ABATEMENT FUND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes and special assessments						
Rental						
Intergovernmental	\$45,461		(\$45,461)	\$18,000	\$19,572	\$1,572
Charges for services						
Fines and forfeitures				2,000	905	(1,095)
Developers fees and reimbursement						
Use of money and property	691	\$1,768	\$1,077			
Other						
Total Revenues	46,152	1,768	(44,384)	20,000	20,477	477
EXPENDITURES						
Current						
General government						
Public safety	\$80,726		80,726			
Transportation						
Community development				\$66,831	77,103	(10,272)
Capital outlay						
Debt service						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	80,726		80,726	66,831	77,103	(10,272)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(34,574)	1,768	36,342	(46,831)	(56,626)	(9,795)
OTHER FINANCING SOURCES (USES)						
Transfers in				\$46,831	56,660	9,829
Transfers (out)						
Total Other Financing Sources (Uses)				46,831	56,660	9,829
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$34,574)	1,768	\$36,342		34	\$34
BEGINNING FUND BALANCES		34,440			261	
ENDING FUND BALANCES (DEFICIT)		\$36,208			\$295	

AFFORDABLE HOUSING			CAPITAL OUTLAY			COMPUTER TECHNOLOGY REPLACEMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$3,200	\$7,542	\$4,342			
\$3,258	\$3,671	\$413	1,573	7,352	5,779		\$600	\$600
3,258	3,671	413	4,773	14,894	10,121		600	600
			250,728	216	250,512			
						\$219,202	123,012	96,190
			250,728	216	250,512	219,202	123,012	96,190
3,258	3,671	413	(245,955)	14,678	260,633	(219,202)	(122,412)	96,790
			(25,000)		25,000	250,000	250,000	
			(25,000)		25,000	250,000	250,000	
<u>\$3,258</u>	3,671	<u>\$413</u>	<u>(\$270,955)</u>	14,678	<u>\$285,633</u>	<u>\$30,798</u>	127,588	<u>\$96,790</u>
	<u>163,921</u>			<u>326,292</u>			<u>153,821</u>	
	<u>\$167,592</u>			<u>\$340,970</u>			<u>\$281,409</u>	

(Continued)

CITY OF PLEASANT HILL  
BUDGETED NON-MAJOR FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	VEHICLES AND EQUIPMENT REPLACEMENT			POLICE TECHNOLOGY FUND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes and special assessments						
Rental						
Intergovernmental						
Charges for services						
Fines and forfeitures						
Developers fees and reimbursement						
Use of money and property						
Other	<u>(\$14,240)</u>	<u>\$16,671</u>	<u>\$30,911</u>			
Total Revenues	<u>(14,240)</u>	<u>16,671</u>	<u>30,911</u>			
EXPENDITURES						
Current						
General government						
Public safety						
Transportation						
Community development						
Capital outlay	159,240	108,489	50,751	\$177,700	\$83,052	\$94,648
Debt service						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	<u>159,240</u>	<u>108,489</u>	<u>50,751</u>	<u>177,700</u>	<u>83,052</u>	<u>94,648</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(173,480)</u>	<u>(91,818)</u>	<u>81,662</u>	<u>(177,700)</u>	<u>(83,052)</u>	<u>94,648</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	145,000	145,000		275,000	275,000	
Transfers (out)						
Total Other Financing Sources (Uses)	<u>145,000</u>	<u>145,000</u>		<u>275,000</u>	<u>275,000</u>	
OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$28,480)</u>	<u>53,182</u>	<u>\$81,662</u>	<u>\$97,300</u>	<u>191,948</u>	<u>\$94,648</u>
BEGINNING FUND BALANCES		<u>106,514</u>			<u>152,921</u>	
ENDING FUND BALANCES (DEFICIT)		<u>\$159,696</u>			<u>\$344,869</u>	



CAPITAL PROJECTS			REFUNDING LEASE REVENUE BONDS			ASSESSMENT DISTRICT #18		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$75,820	\$75,821	\$1	\$72,000	\$75,047	\$3,047
			47,274	38,717	(8,557)	3,254	4,773	1,519
			123,094	114,538	(8,556)	75,254	79,820	4,566
\$33,000	\$21,643	\$11,357						
34,000	19,313	14,687						
33,000	840	32,160						
			1,050,000	1,050,000		100,000	100,000	
			283,149	282,842	307	28,012	32,060	(4,048)
100,000	41,796	58,204	1,333,149	1,332,842	307	128,012	132,060	(4,048)
(100,000)	(41,796)	58,204	(1,210,055)	(1,218,304)	(8,249)	(52,758)	(52,240)	518
117,330	117,330		1,218,305	1,252,369	34,064			
117,330	117,330		1,218,305	1,252,369	34,064			
\$17,330	75,534	\$58,204	\$8,250	34,065	\$25,815	(\$52,758)	(52,240)	\$518
	273,730			935,902			285,059	
	\$349,264			\$969,967			\$232,819	

(Continued)

CITY OF PLEASANT HILL  
BUDGETED NON-MAJOR FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>2002 PHDCFD #1 SPECIAL TAX BONDS</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property taxes			
Other taxes and special assessments			
Rental			
Intergovernmental			
Charges for services			
Fines and forfeitures			
Developers fees and reimbursement			
Use of money and property	12,250	9,696	(2,554)
Other			
Total Revenues	<u>12,250</u>	<u>9,696</u>	<u>(2,554)</u>
EXPENDITURES			
Current			
General government			
Public safety			
Transportation			
Community development			
Capital outlay			
Debt service			
Principal retirement	120,000	115,000	5,000
Interest and fiscal charges	<u>591,019</u>	<u>561,866</u>	<u>29,153</u>
Total Expenditures	<u>711,019</u>	<u>676,866</u>	<u>34,153</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(698,769)</u>	<u>(667,170)</u>	<u>31,599</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	672,543	672,543	
Transfers (out)			
Total Other Financing Sources (Uses)	<u>672,543</u>	<u>672,543</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$26,226)</u>	5,373	<u>\$31,599</u>
BEGINNING FUND BALANCES (DEFICIT)		<u>848,519</u>	
ENDING FUND BALANCES (DEFICIT)		<u>\$853,892</u>	

<b>AGENCY FUNDS</b>
---------------------

Agency Funds account for assets held by a governmental unit in the capacity of agent for individuals, governmental entities, and non-public organizations.

The Agency Funds used to account for monies held by the City in a fiduciary capacity are as follows:

**ACME LANDFILL CLOSURE FUND** accounts for funds collected by Pleasant Hill Bayshore Disposal Company from their Pleasant Hill ratepayers prior to February 8, 1993 and turned over to the City on that date for the purpose of covering future costs of the closure of the Acme Landfill. In addition, from November 1994 through June 1997, savings from the Keller Canyon landfill rate reduction were deposited into this fund.

**PARKLAND DEDICATION FUND** accounts for Parkland Dedication fees paid by developers, which are distributed quarterly to the Pleasant Hill Recreation and Park District for parkland purposes.

**TRANSPAC FUND** accounts for contributions from TRANSPAC member agencies in Central Contra Costa County and the use of those funds for transportation planning and information purposes.

**TDM FUND** accounts for transportation funds advanced and reimbursed to TRANSPAC for Transportation Demand Management projects in central Contra Costa County.

**PLEASANT HILL DOWNTOWN COMMUNITY FACILITIES DISTRICT NO. 1 FUND** accounts for debt service and other reserves funded with proceeds from the District's debt issued in 1998.

**ASSET FORFEITURE HOLDING FUND** accounts for cash seized in drug cases, the distribution of which is determined later by the court. Distribution is most often among the law enforcement agencies involved in the arrest and investigation. If the City receives a portion, it is transferred to the Police Special Services Fund.

CITY OF PLEASANT HILL  
AGENCY FUNDS  
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<u>Acme Landfill Closure</u>				
Cash and investments in City treasury	\$946,008		\$32,212	\$913,796
Interest receivable	3,337	\$6,460	3,337	6,460
Total	<u>\$949,345</u>	<u>\$6,460</u>	<u>\$35,549</u>	<u>\$920,256</u>
Due to others	<u>\$949,345</u>	<u>\$6,460</u>	<u>\$35,549</u>	<u>\$920,256</u>
<u>Parkland Dedication</u>				
Cash and investments in City treasury	\$16,628		\$16,628	
Interest receivable	56		56	
Total	<u>\$16,684</u>		<u>\$16,684</u>	
Due to others	<u>\$16,684</u>		<u>\$16,684</u>	
<u>TRANSPAC</u>				
Cash and investments in City treasury				
Interest receivable	\$4	\$21	\$4	\$21
Accounts receivable	1,981		1,981	
Due from other governmental agencies	19,698	12,284	19,698	12,284
Total	<u>\$21,683</u>	<u>\$12,305</u>	<u>\$21,683</u>	<u>\$12,305</u>
Due to other funds	<u>\$21,683</u>	<u>\$12,305</u>	<u>21,683</u>	<u>\$12,305</u>
Total	<u>\$21,683</u>	<u>\$12,305</u>	<u>\$21,683</u>	<u>\$12,305</u>
<u>TDM</u>				
Cash and investments in City treasury	\$22,223	\$5,949		\$28,172
Accounts receivable	134,711	\$88,113	\$134,711	88,113
Interest receivable	77	171	77	171
Due from other governmental agencies	11,444	67,396	11,444	67,396
Total	<u>\$168,455</u>	<u>\$161,629</u>	<u>\$146,232</u>	<u>\$183,852</u>
Accounts payable and accrued liabilities	\$26,678	\$34,913	\$26,678	\$34,913
Due to other funds	141,777	148,939	141,777	148,939
Total	<u>\$168,455</u>	<u>\$183,852</u>	<u>\$168,455</u>	<u>\$183,852</u>

CITY OF PLEASANT HILL  
AGENCY FUNDS  
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<u>Pleasant Hill Downtown Community Facilities District No. 1</u>				
Cash and investments in Trustee accounts	\$901,941	\$17,413		\$919,354
Interest receivable	330		\$330	
Total	<u>\$902,271</u>	<u>\$17,413</u>	<u>\$330</u>	<u>\$919,354</u>
Due to others	<u>\$902,271</u>	<u>\$17,413</u>	<u>\$330</u>	<u>\$919,354</u>
<u>Asset Forfeiture Holding</u>				
Cash and investments in City treasury	<u>\$23,549</u>		<u>\$1,619</u>	<u>\$21,930</u>
Due to others	<u>\$23,549</u>		<u>\$1,619</u>	<u>\$21,930</u>
<u>Total Agency Funds</u>				
Cash and investments in City treasury	\$1,008,408	\$5,949	\$50,459	\$963,898
Cash and investments in Trustee accounts	901,941	17,413		919,354
Accounts receivable	136,692	88,113	136,692	88,113
Interest receivable	3,804	6,652	3,804	6,652
Due from other governmental agencies	31,142	79,680	31,142	79,680
Total	<u>\$2,081,987</u>	<u>\$197,807</u>	<u>\$222,097</u>	<u>\$2,057,697</u>
Accounts payable and accrued liabilities	\$26,678	\$34,913	\$26,678	\$34,913
Due to other funds	163,460	161,244	163,460	161,244
Due to others	<u>1,891,849</u>	<u>23,873</u>	<u>54,182</u>	<u>1,861,540</u>
Total	<u>\$2,081,987</u>	<u>\$220,030</u>	<u>\$244,320</u>	<u>\$2,057,697</u>

## STATISTICAL SECTION

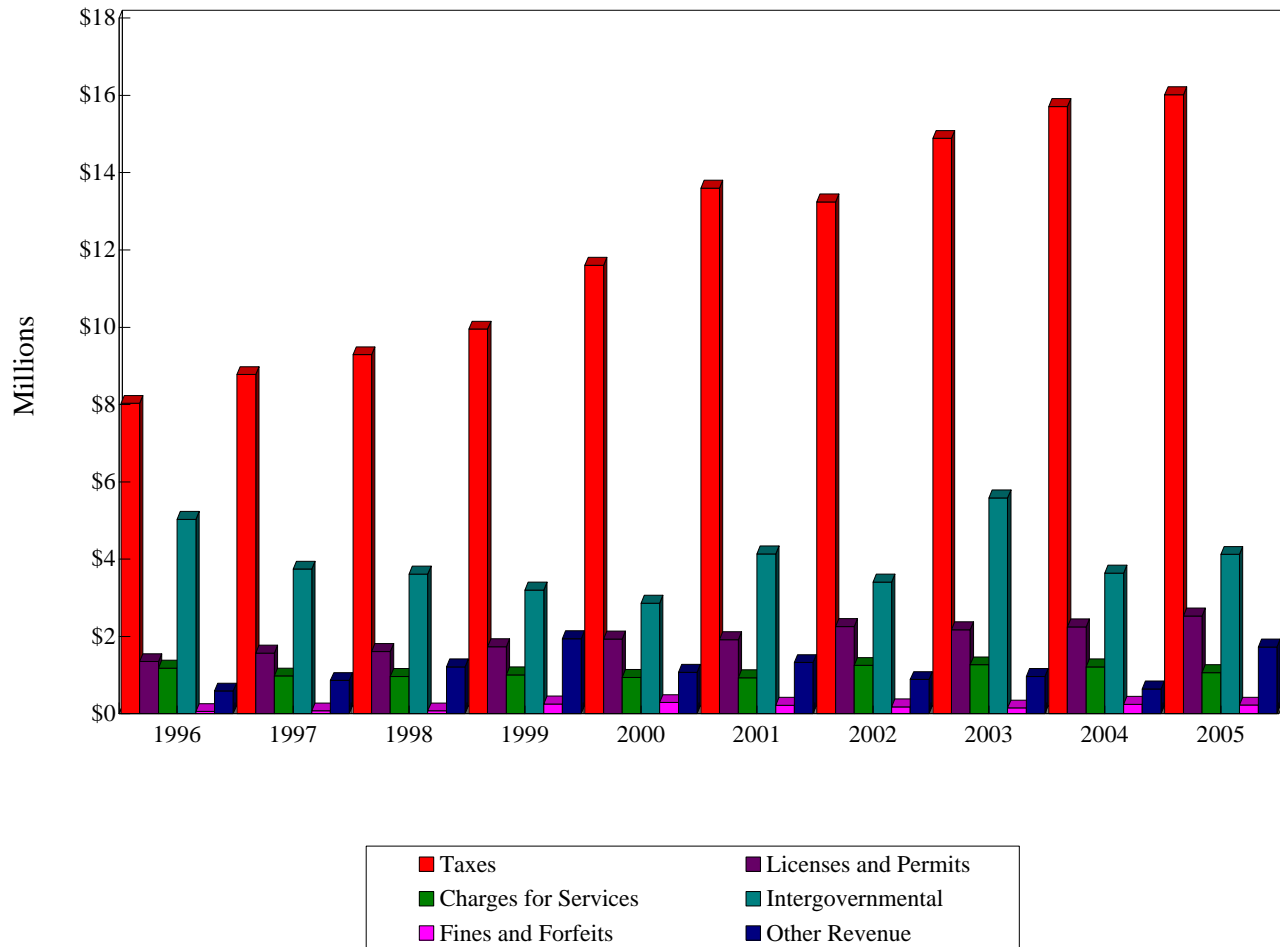
The statistical section contains comprehensive statistical data which relates to physical, economic, social and political characteristics of the City. It is intended to provide users with a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements and supporting schedules included in the financial section.

In this section readers will find comparative information related to the City's revenue sources, expenditures, property tax valuations, levies and collections, general obligation bonded debt, demographics and pension plan funding. Where available, the comparative information is presented for the last ten fiscal years.

In addition, this section presents information related to the City's legal debt margin computation and other miscellaneous statistics pertaining to services provided by the City.

In contrast to the financial section, the statistical section information is not usually subject to independent audit.

CITY OF PLEASANT HILL  
GOVERNMENTAL FUNDS  
REVENUES BY SOURCE  
LAST TEN FISCAL YEARS



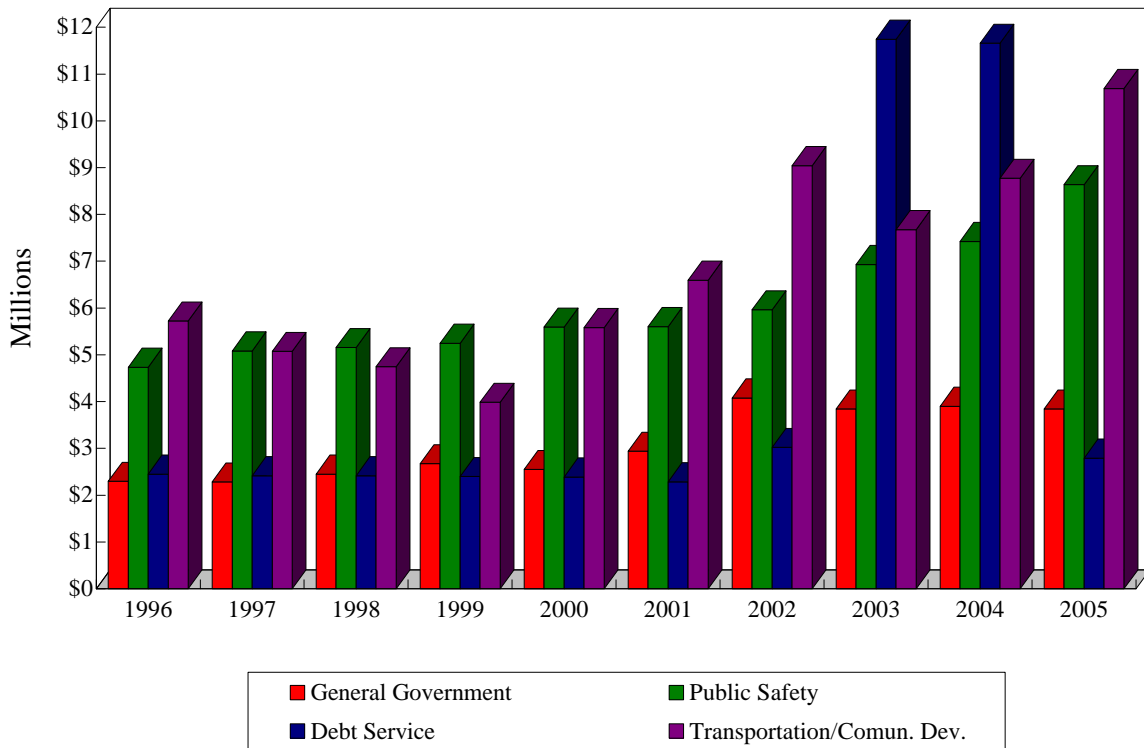
Fiscal Year	Taxes (1)	Licenses and Permits	Charges for Services	Intergovernmental	Fines and Forfeits	Other Revenue (2)	Total
1996	\$8,032,631	\$1,352,051	\$1,181,417	\$5,028,712	\$59,980	\$588,434	\$16,243,225
1997	8,777,639	1,572,446	978,685	3,742,439	75,403	862,714	16,009,326
1998	9,289,048	1,613,004	963,154	3,616,834	75,264	1,212,133	16,769,437
1999	9,952,666	1,734,252	1,009,150	3,201,777	251,352	1,945,263	18,094,460
2000	11,602,347	1,934,310	942,145	2,859,442	292,279	1,072,800	18,703,323
2001	13,599,438	1,920,590	930,446	4,136,439	222,132	1,324,838	22,133,883
2002	13,241,530	2,257,517	1,250,417	3,406,357	180,504	887,828	21,224,153
2003	14,885,883	2,176,820	1,267,647	5,586,849	150,330	966,715	25,034,244
2004	15,707,969	2,251,143	1,212,874	3,639,517	244,437	644,759	23,700,699
2005	16,015,799	2,531,120	1,067,594	4,123,703	223,821	1,725,517	25,687,554

(1) Includes county collections for street lighting district and sales taxes.

(2) Includes proceeds from sale of fixed assets.

Source: City of Pleasant Hill Comprehensive Annual Financial Report

CITY OF PLEASANT HILL  
GOVERNMENTAL FUNDS  
EXPENDITURES BY FUNCTION  
LAST TEN FISCAL YEARS

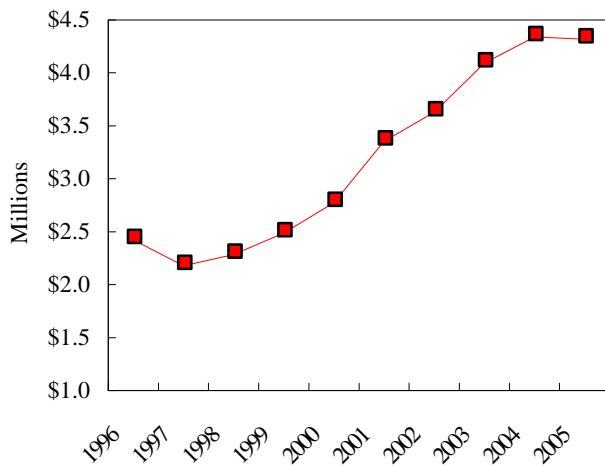


Fiscal Year	General Government	Public Safety	Debt Service	Transportation, Community Development and Capital Outlay	Total
1996	\$2,296,695	\$4,734,592	\$2,450,824	\$5,722,144	\$15,204,255
1997	2,283,159	5,083,260	2,414,819	5,071,974	14,853,212
1998	2,449,410	5,155,497	2,415,680	4,745,929	14,766,516
1999	2,674,382	5,248,734	2,399,543	3,985,573	14,308,232
2000	2,549,792	5,591,597	2,388,936	5,583,959	16,114,284
2001	2,937,996	5,602,704	2,286,950	6,595,299	17,422,949
2002	4,078,653	5,963,278	3,023,789	9,043,633	22,109,353
2003	3,841,436	6,931,317	11,745,619	7,676,631	30,195,003
2004	3,900,863	7,422,209	11,659,757	8,774,950	31,757,779
2005	3,843,349	8,636,460	2,792,466	10,691,218	25,963,493

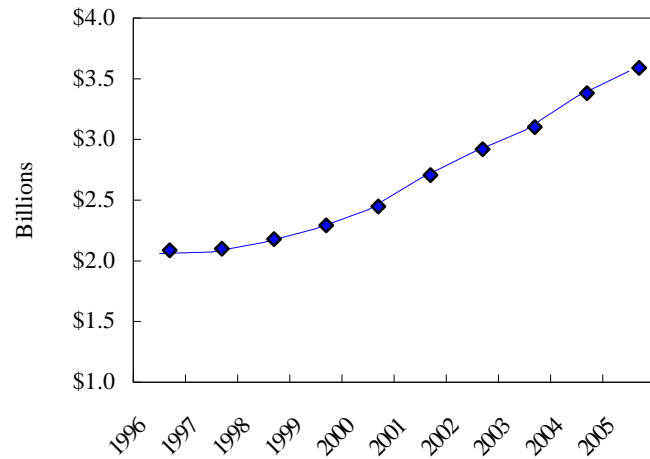
Source: City of Pleasant Hill Comprehensive Annual Financial Report



**CITY OF PLEASANT HILL  
PROPERTY VALUES AND TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS (1)**



—■— Tax Levied



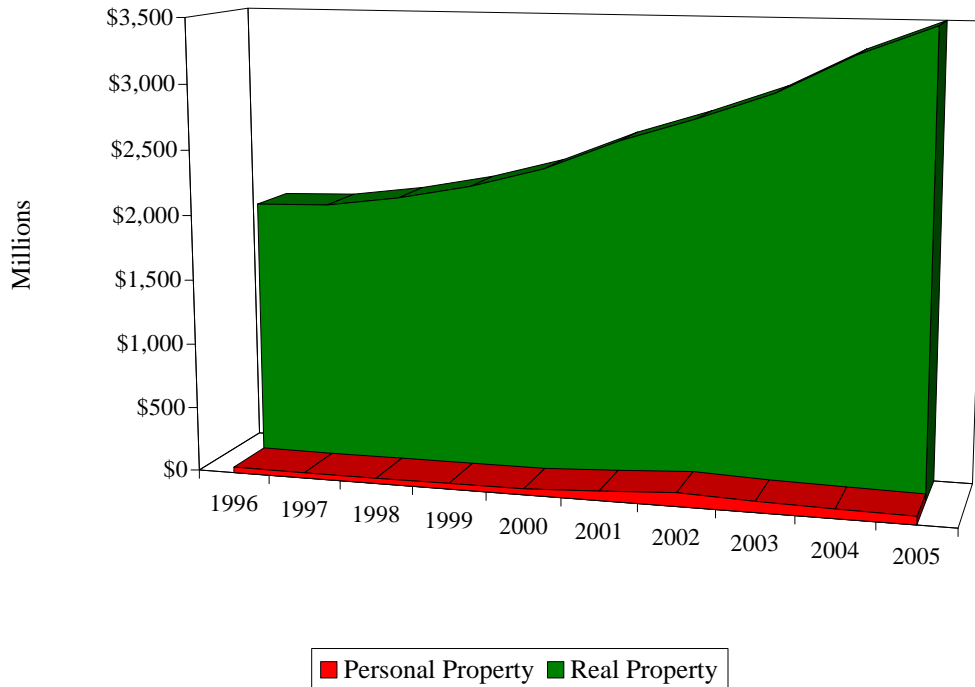
—◆— Value of property

Fiscal Year	Total Tax Levied and Collected (2)	Value of Property Subject to Local Tax Rate
1996	\$2,423,526	\$2,059,247,111
1997	2,180,090	2,073,224,570
1998	2,284,228	2,150,825,585
1999	2,488,096	2,264,444,073
2000	2,775,108	2,421,019,810
2001	3,355,318	2,678,764,155
2002	3,628,118	2,891,681,821
2003	4,090,576	3,075,130,881
2004	4,340,751	3,353,234,194
2005	4,317,891	3,563,668,515

- (1) Pleasant Hill was incorporated in 1961 as a "No-Property Tax" city. The citizens wanted a minimum-service city that could be supported by revenues other than property taxes. Annexations over the years brought a minimum amount of annual property tax revenue to the City from Contra Costa County, as required by the annexation process. Beginning in fiscal year 1989-90, and due to State legislation in 1988 which was designed to bring some relief to no/low property tax cities, the County shifted some of its property taxes to Pleasant Hill in exchange for state trial court funding. The shift was designed to be phased in over seven years, starting at 1% and increasing 1% per year for seven years, leveling out at 7%. Due to later ERAF legislation, the shift was adjusted to level out at 6.09% instead of 7% and will remain there unless the law changes. The annual shift is a result of a formula specified in the law, and is included in the amounts listed here. In addition, the Redevelopment Agency has received property tax increments since 1975 to service debt and, as required by law since 1977, to fund low and moderate housing and rehabilitation; only the amount used for debt service is included here.
- (2) Includes property taxes in the City's General and Special Revenue Funds and tax increment in Redevelopment's Debt Service Fund.

Source: City of Pleasant Hill Comprehensive Annual Financial Reports and Contra Costa County

CITY OF PLEASANT HILL  
ASSESSED VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS



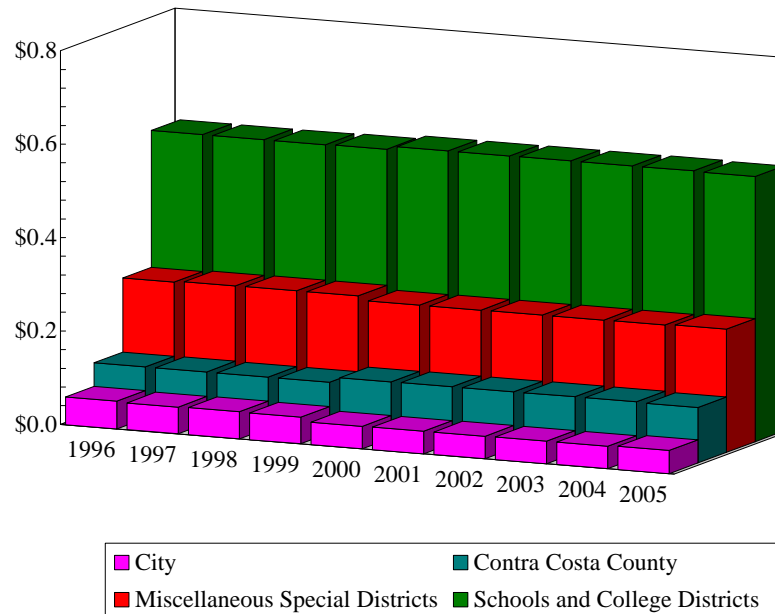
Fiscal Year	Real Property (1)	Percent Change	Personal Property	Percent Change	Total Assessed
1996	\$2,014,324,562	1.49%	\$44,922,549	-1.31%	\$2,059,247,111
1997	2,030,799,480	0.82%	42,425,090	-5.56%	2,073,224,570
1998	2,107,907,923	3.80%	42,917,662	1.16%	2,150,825,585
1999	2,219,461,268	5.29%	44,982,805	4.81%	2,264,444,073
2000	2,374,026,852	6.96%	46,992,958	4.47%	2,421,019,810
2001	2,604,850,340	9.72%	73,913,815	57.29%	2,678,764,155
2002	2,785,695,160	6.94%	105,986,661	43.39%	2,891,681,821
2003	2,990,947,738	7.37%	84,183,143	-20.57%	3,075,130,881
2004	3,279,303,406	9.64%	73,930,788	-12.18%	3,353,234,194
2005	3,500,232,163	6.74%	63,436,352	-14.19%	3,563,668,515

NOTE: Assessed values equal estimated actual values. With certain exceptions, estimated actual value of property may increase 2% per year in accordance with California Proposition 13.

(1) Net of homeowners and other exemptions.

Source: County Auditor/Controller's Office, Certificate of Assessed Valuations.

CITY OF PLEASANT HILL  
PROPERTY TAX RATES (1)  
ALL DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS



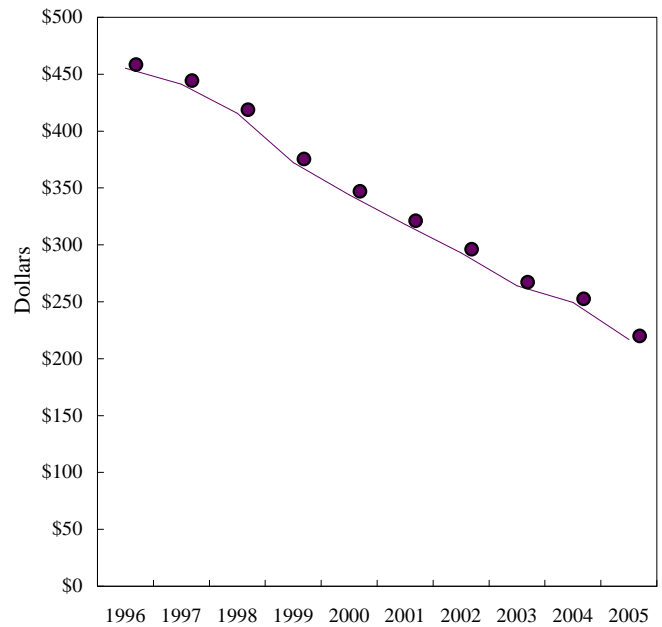
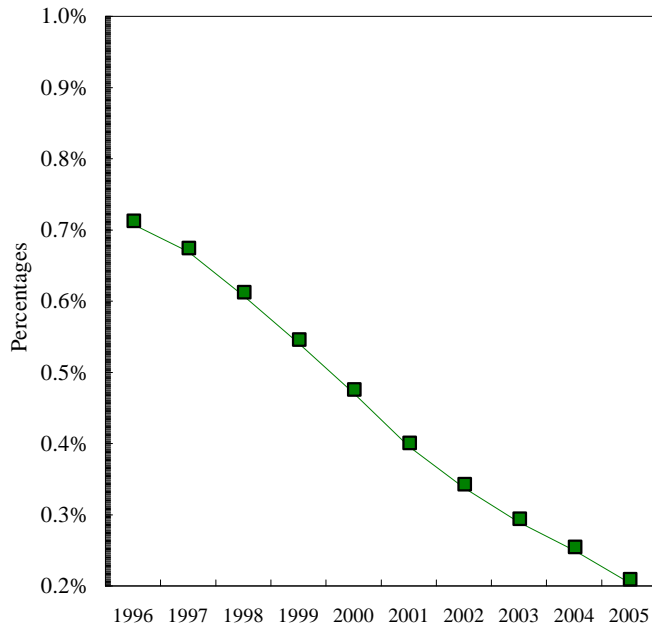
Fiscal Year	Contra Costa County	City (2)	Schools and College Districts	Miscellaneous Special Districts	Total
1996	\$0.1099	\$0.0594	\$0.5618	\$0.2689	\$1.0000
1997	0.1100	0.0574	0.5614	0.2712	1.0000
1998	0.1093	0.0580	0.5614	0.2713	1.0000
1999	0.1091	0.0571	0.5625	0.2713	1.0000
2000	0.1205	0.0482	0.5695	0.2618	1.0000
2001	0.1205	0.0482	0.5693	0.2620	1.0000
2002	0.1205	0.0482	0.5693	0.2620	1.0000
2003	0.1205	0.0482	0.5693	0.2620	1.0000
2004	0.1205	0.0482	0.5693	0.2620	1.0000
2005	0.1186	0.0499	0.5679	0.2636	1.0000

(1) Per \$1,000 assessed value

(2) The rates shown are not levied rates, but rather "rate-equivalents". The County, in the application of the Tax Equity Allocation (TEA) formula specified by the 1987 amendments to the Trial Court Funding Act, created these rates to accomplish the property tax shift required by the law. See Note (1) on the "Property Values and Tax Levies and Collections" page for a more detailed explanation.

Source: County Auditor/Controller's Office

CITY OF PLEASANT HILL  
RATIO OF NET GENERAL OBLIGATION BONDED DEBT  
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS



Ratio of Net Bonded Debt

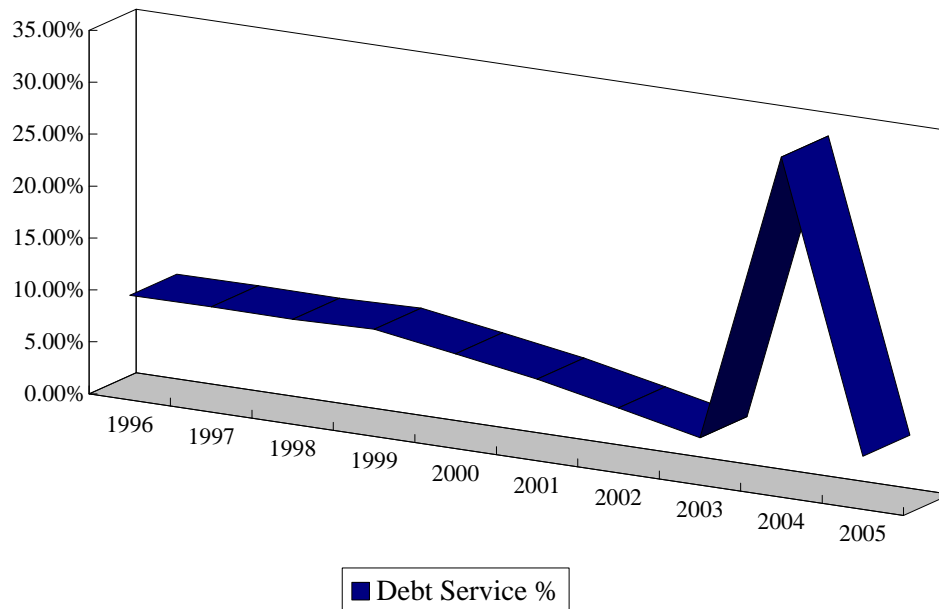
Net Bonded Debt Per Capita

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996	32,228	\$2,059,247,111	\$15,383,500	\$710,438	\$14,673,062	0.71%	\$455.29
1997	31,450	2,073,224,570	14,590,000	709,799	13,880,201	0.67%	441.34
1998	31,455	2,150,825,585	13,780,000	709,821	13,070,179	0.61%	415.52
1999	32,900	2,264,444,073	12,960,000	709,831	12,250,169	0.54%	372.35
2000	33,150	2,421,019,810	12,110,000	710,030	11,399,970	0.47%	343.89
2001	33,350	2,678,764,155	11,320,000	709,887	10,610,113	0.40%	318.14
2002	33,350	2,891,681,821	10,480,000	709,815	9,770,185	0.34%	292.96
2003	33,700	3,075,130,881	9,605,000	710,162	8,894,838	0.29%	263.94
2004	33,600	3,353,234,194	9,315,000	935,902	8,379,098	0.25%	249.38
2005	33,638	3,563,668,515	8,265,000	969,967	7,295,033	0.20%	216.87

Sources:

- (1) California Department of Finance
- (2) County Auditor/Controller's Office, Certificate of Assessed Valuations
- (3) City of Pleasant Hill Comprehensive Annual Financial Report; includes only general obligation debt serviced by general fund tax revenues. Excludes special assessment and Pleasant Hill Redevelopment Agency debt.

CITY OF PLEASANT HILL  
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
FOR GENERAL BONDED DEBT TO  
TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
LAST TEN FISCAL YEARS



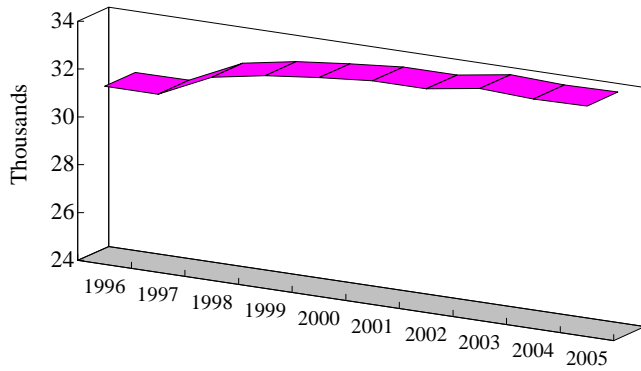
Fiscal Year	Principal	Interest (1)	Total Debt Service (2)	Total General Expenditures	Debt Service as Percent of General Expenditures
1996	\$787,750	\$742,835	\$1,530,585	\$15,204,255	10.07%
1997	793,500	711,992	1,505,492	14,853,212	10.14%
1998	810,000	683,078	1,493,078	14,766,516	10.11%
1999	820,000	655,034	1,475,034	14,308,232	10.31%
2000	850,000	617,727	1,467,727	16,114,284	9.11%
2001	790,000	580,062	1,370,062	17,422,949	7.86%
2002	840,000	544,230	1,384,230	22,109,353	6.26%
2003	875,000	505,205	1,380,205	30,195,003	4.57%
2004	9,605,000	802,158	10,407,158	31,757,779	32.77%
2005	1,050,000	280,843	1,330,843	25,963,493	5.13%

(1) Includes bond issuance, fiscal agent fees, and other costs.

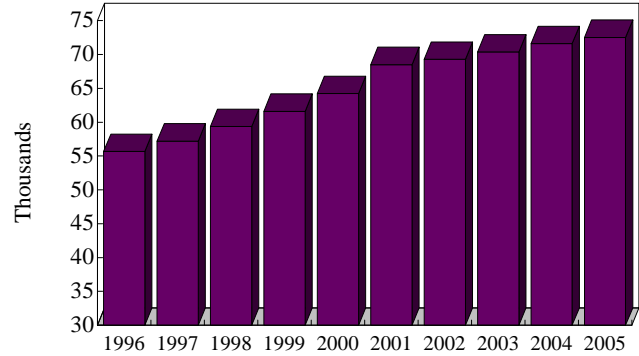
(2) Excludes assessment district and redevelopment agency debt service.

Source: City of Pleasant Hill Comprehensive Annual Financial Reports

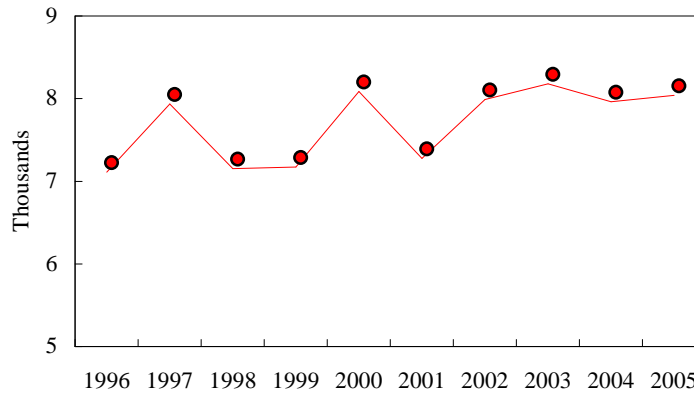
# CITY OF PLEASANT HILL DEMOGRAPHIC STATISTICS LAST TEN FISCAL YEARS



City Population



Median Household Income



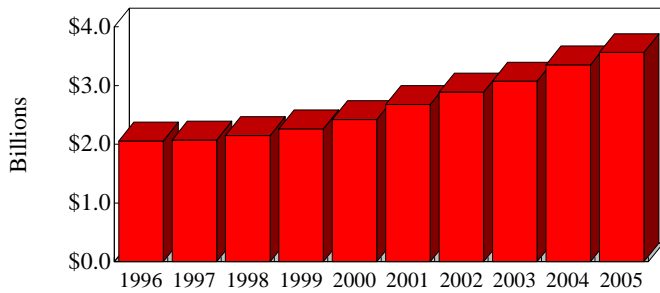
School Enrollment

Fiscal Year	City Population (1)	Median Household Income (2)	Public School Enrollment (3)	Unemployment Rate (4)	Rank in Size of California Cities (1)
1996	31,450	\$55,652	7,110	3.2%	199
1997	31,455	57,200	7,936	2.6%	201
1998	32,500	59,356	7,152	3.4%	200
1999	32,900	61,607	7,171	1.8%	200
2000	33,150	64,232	8,085	5.2%	202
2001	33,350	68,499	7,277	2.2%	207
2002	33,350	69,296	7,991	3.2%	210
2003	33,700	70,374	8,178	3.7%	270
2004	33,600	71,593	7,962	3.4%	213
2005	33,638	72,524	8,038	3.8%	217

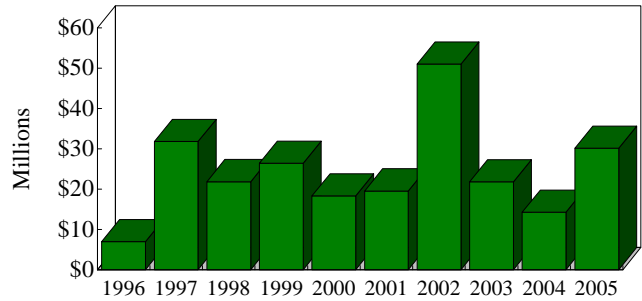
Sources:

- (1) California Department of Finance.
- (2) 1990 Census data adjusted for changes in Consumer Price Index, calculated by Finance Department.
- (3) Mt. Diablo Unified School District.
- (4) State of California Employment Development Department.

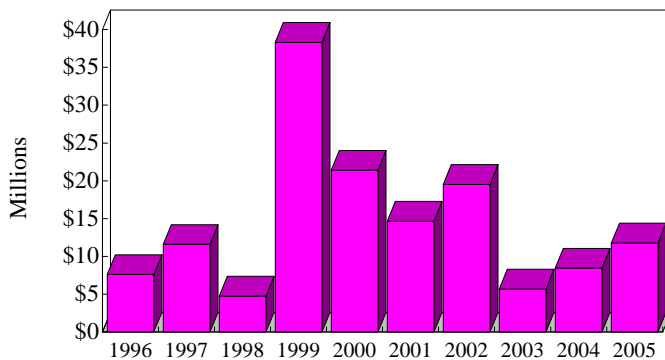
**CITY OF PLEASANT HILL  
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS  
LAST TEN FISCAL YEARS**



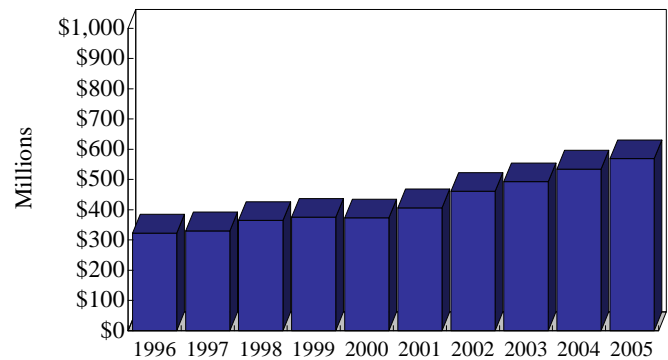
■ Property Values



■ Residential Construction



■ Commercial Construction



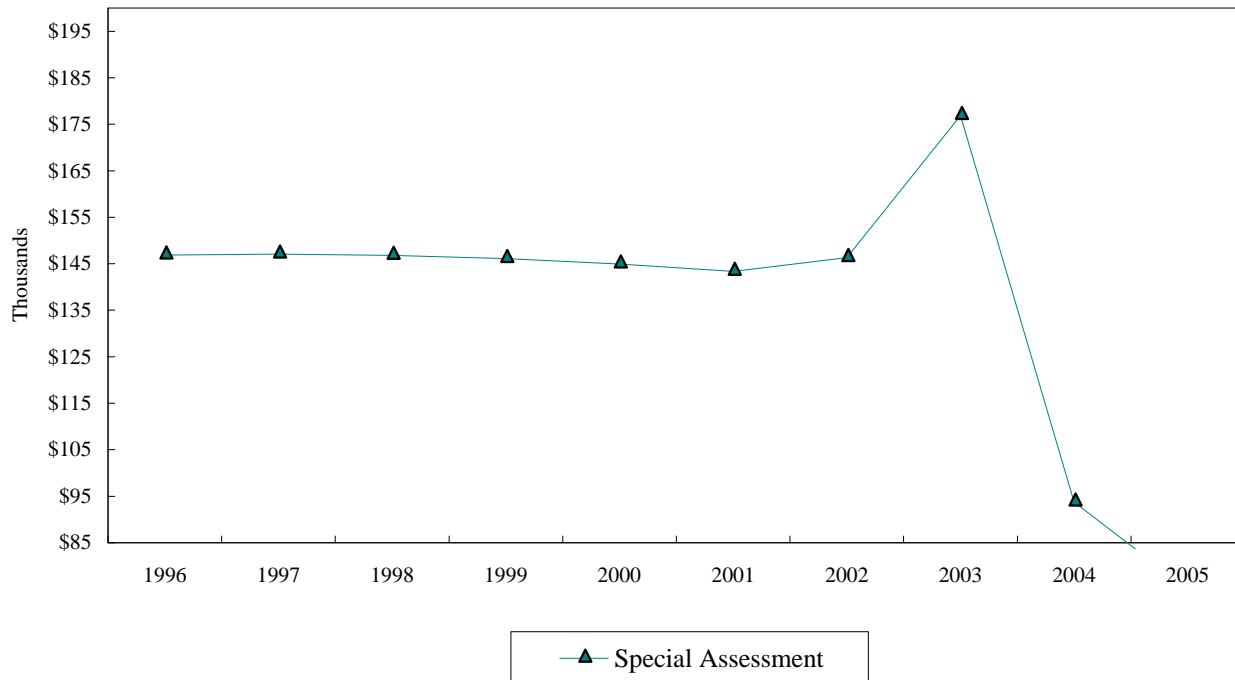
■ Bank Deposits

Fiscal Year	Property Values (2)	Commercial Construction		Residential Construction		Bank and S&L Deposits (1)
		Number of Permits (3)	Value (3)	Number of Permits (3)	Value (3)	
1996	\$2,059,247,111	59	\$7,619,379	576	\$6,935,129	\$322,570,000
1997	2,073,224,570	60	11,603,828	692	31,784,619	330,011,000
1998	2,150,825,585	74	4,756,398	701	21,820,321	364,496,000
1999	2,264,444,073	82	38,308,775	831	26,376,093	374,923,000
2000	2,421,019,810	95	21,414,281	761	18,309,285	372,877,000
2001	2,678,764,155	56	14,669,858	789	19,520,267	406,461,000
2002	2,891,681,821	55	19,541,705	893	50,985,017	460,706,000
2003	3,075,130,881	62	5,694,844	898	21,774,772	492,760,000
2004	3,353,234,194	63	8,466,749	839	14,255,836	534,271,000
2005	3,563,668,515	73	11,789,608	748	30,108,347	568,746,000

Sources:

- (1) Findley Reports, Inc.
- (2) Total City of Pleasant Hill assessed property values per Contra Costa County Assessor's Office.
- (3) City of Pleasant Hill Building Department.

CITY OF PLEASANT HILL  
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS  
LAST TEN FISCAL YEARS



Fiscal Year	Current Assessment Billings and Collections (1)	Prepayments Received (1)	Total Assessment Billings and Collections (1)	Total Outstanding Assessments (2)
1996	\$146,871		\$146,871	\$980,000
1997	147,061		147,061	910,000
1998	146,811		146,811	835,000
1999	146,111		146,111	755,000
2000	144,951		144,951	670,000
2001	143,348		143,348	580,000
2002	146,296		146,296	480,000
2003	122,391	\$54,511	176,902	313,048
2004	93,728		93,728	104,349
2005	75,047		75,047	0

Note: County of Contra Costa remits to the City each year the total levy, including delinquencies which are funded from county reserves.

Sources: (1) Tax roll information provided to City by Contra Costa County thru 2002, and by NBS Gov't Finance Group beginning in 2003.

(2) Outstanding Assessments information from City of Pleasant Hill Comprehensive Annual Financial Reports.

In Fiscal 03-04, the District wrote down the outstanding balance of assessment since cash on hand was available to pay the remaining debt service.



CITY OF PLEASANT HILL  
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
JUNE 30, 2005

JURISDICTION	NET DEBT OUTSTANDING	PERCENTAGE APPLICABLE TO CITIZENS OF PLEASANT HILL	AMOUNT APPLICABLE TO CITIZENS OF PLEASANT HILL
<b>DIRECT DEBT</b>			
City of Pleasant Hill Joint Powers Authority	\$8,265,000	100.000%	\$8,265,000
City of Pleasant Hill 1915 Act Bonds	215,000	100.000%	215,000
City of Pleasant Hill Downtown Community Facilities District #1	14,365,000	100.000%	14,365,000
<b>TOTAL GROSS AND NET DIRECT BONDED DEBT</b>	<b>22,845,000</b>	<b>100.000%</b>	<b>22,845,000</b>
<b>OVERLAPPING DEBT</b>			
Contra Costa County Board of Education Certificates of Participation	1,695,000	3.129%	53,037
Contra Costa County General Fund Obligations	315,590,000	3.129%	9,874,811
Contra Costa County Pension Obligations	554,735,000	3.129%	17,357,658
Contra Costa Community College District	91,600,000	3.134%	2,870,744
Contra Costa Community College District Certificates of Participation	1,265,000	3.134%	39,645
Mount Diablo Unified School District Certificates of Participation	6,510,000	14.502%	944,080
Mount Diablo Unified School District Community Facilities District #1	74,715,000	14.502%	10,835,169
Mount Diablo Unified School District	171,500,000	14.502%	24,870,930
Pleasant Hill Recreation and Park District Certificates of Participation	2,815,000	86.543%	2,436,185
Contra Costa County Mosquito Abatement District Certificates of Participation	290,000	3.129%	9,074
Bay Area Rapid Transit District	100,000,000	0.97%	970,000
East Bay Municipal Utility District	3,050,000	0.596%	18,178
East Bay Regional Park District	145,440,000	1.433%	2,084,155
<b>TOTAL GROSS OVERLAPPING BONDED DEBT</b>	<b>1,469,205,000</b>		<b>72,363,667 (1)</b>
<b>TOTAL GROSS DIRECT &amp; OVERLAPPING BONDED DEBT</b>	<b>\$1,492,050,000</b>		<b>95,208,667</b>
Less: East Bay Municipal Utility District (100% self-supporting)			18,178
<b>TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT</b>	<b>\$1,492,050,000</b>		<b>\$95,190,489</b>
<u>Ratio to Assessed Valuation:</u>			
Direct Debt (\$8,265,000)	0.25%		
Total Gross Debt	2.93%		
Total Net Debt	2.93%		

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CITY OF PLEASANT HILL  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2005

Total Assessed Value		<u><u>\$3,563,668,515</u></u>
Legal Debt Margin:		
Debt limitation - 15 percent of total assessed value		\$534,550,277
Debt applicable to limitation:		
Total bonded debt (including special assessment bonds)	\$15,480,000 (1)	
Less:		
Special assessment bonds	<u>7,215,000</u>	
Total amount of debt applicable to debt limit		<u><u>8,265,000</u></u>
Legal debt margin		<u><u>\$526,285,277</u></u>

- (1) Includes special assessment bonds and all debt supported by general fund revenues, including capital lease obligations, general obligations, street bonds, and refunding lease revenue bonds. Excludes Pleasant Hill Redevelopment Agency tax allocation refunding bonds.

Source: County records and City of Pleasant Hill Comprehensive Annual Financial Report

**CITY OF PLEASANT HILL  
TOP TWENTY-FIVE PROPERTY OWNERS  
JUNE 30, 2005**

OWNER (Number of Parcels)	ASSESSED VALUATION
1 RVIP/CA/WA/Or Portfolio LLC (11)	\$74,592,880
2 BPP Retail (1)	35,241,273
3 Mt. Diablo Unified School District (14)	31,274,198
4 Grupte Real Estate Investor 29 (250)	30,618,335
5 John V. Hook Trustee (3)	29,809,800
6 JTJ Apartment Investors LLC (2)	28,210,026
7 EQR Watson General Partnership (77)	28,076,395
8 Gallup & Whalen Santa Maria (1)	21,380,496
9 ERP Operating Limited (1)	19,169,130
10 Pleasant Hill Lodging Partnership (3)	18,896,913
11 City of Pleasant Hill (27)	18,129,994
12 John F. Kennedy University (2)	17,812,515
13 First States Investors 5000A (1)	17,517,500
14 Bridge Grayson Creek Associates (2)	17,404,639
15 Residence Inn III LLC (2)	16,078,923
16 CCC Junior College District (1)	15,805,048
17 DVC Plaza Center LLC (4)	14,305,451
18 Pacific Bell Information Services (1)	14,076,027
19 Pleasant Hill Holdings (3)	13,896,598
20 Braddock & Logan Venture Group (1)	13,717,029
21 HPTMI II Properties Trust	13,671,730
22 Macengle Senior Services LLC (1)	12,919,355
23 Chateau P H Associates Limited Partnership (2)	12,265,647
24 PH Holdings (2)	11,381,030
25 Pleasant Hill Exec Park Associates (2)	10,001,871

Source: City of Pleasant Hill

**CITY OF PLEASANT HILL**  
**TOP TWENTY-FIVE PROPERTY TAXPAYERS**  
**JUNE 30, 2005**

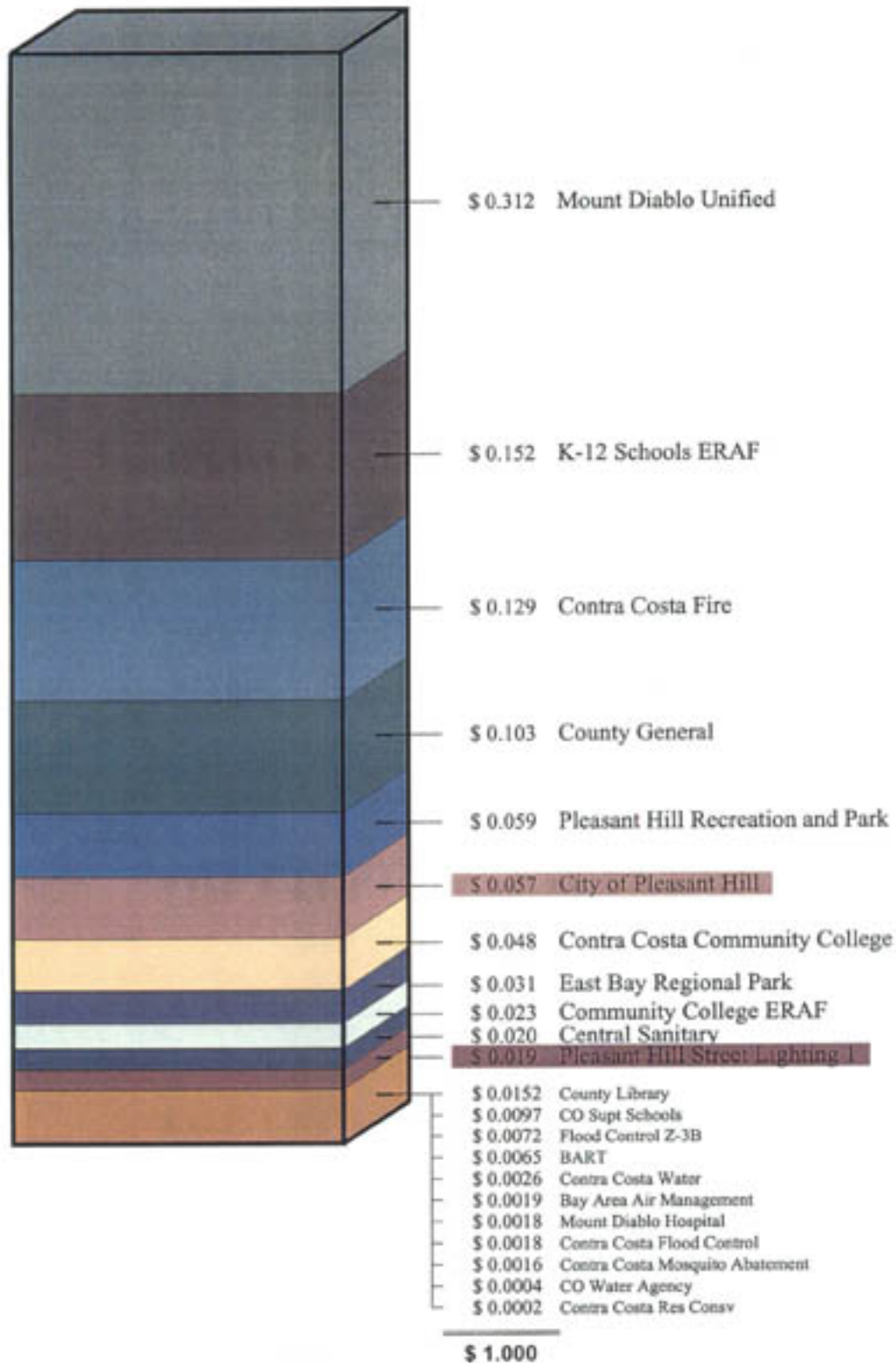
Owner (Number of Parcels)	Assessed Valuation	Estimated Share of 1% Property Tax (City & Redevelopment)	Estimated Redevelopment Share of Property Tax
1 RVIP California WA OR Portfolio LLC (11)	\$74,592,880	\$719,805	\$717,969
2 Gallup & Whalen Santa Maria (1)	21,380,496	206,331	205,805
3 Pleasant Hill Lodging Partnership (2)	18,896,913	182,573	182,154
4 Pleasant Hill Holdings (3)	13,896,598	134,034	133,687
5 HPTMI II Properties Trust (1)	13,671,730	131,938	131,602
6 Macengle Senior Services LLC (1)	12,919,355	117,882	117,185
7 Pleasant Hill Plaza Associates (5)	8,766,307	76,123	75,403
8 Pleasant Hill Terrace Association (1)	6,871,623	62,700	62,329
9 PH Holdings (2)	11,381,030	59,814	56,542
10 Bertolero Development Corporation (6)	6,048,273	55,194	54,867
11 Tiga Associates LP (1)	5,271,617	50,868	50,739
12 W Pepper Tree LLC (1)	5,405,103	50,024	49,930
13 Skyland Properties Limited Partnership (1)	4,011,238	38,710	38,612
14 Pleasant Hill Village (1)	3,371,927	32,537	32,454
15 Ernest P. Rodrigues Trust (2)	3,441,344	30,488	30,263
16 Century Theaters Inc. (1)	3,184,381	28,934	28,781
17 Spring Meadows Associates (1)	3,129,921	28,559	28,390
18 Contra Costa Retail Center LLC (1)	5,000,000	26,278	24,840
19 Albertsons Inc. (1)	2,525,384	22,946	22,801
20 Mark A. & Kimberly A. Scott Trust (2)	2,186,064	19,947	19,829
21 BPP Retail (1)	35,241,273	19,934	0
22 Serafin Perez (2)	1,991,039	16,584	16,379
23 JTJ Apartment Investors LLC (2)	28,210,026	15,957	0
24 Grupe Real Estate Investors 29 (250)	30,618,335	15,275	0
25 John V. Hook Trust (3)	29,809,800	14,871	0

Although these estimated calculations are performed on a parcel level, county auditor/ controllers' offices neither calculate nor apportion revenue at a parcel level.

Source: City of Pleasant Hill

# THE CITY OF PLEASANT HILL

## PROPERTY TAX DOLLAR BREAKDOWN



ATI (Annual Tax Increment) Ratios For Tax Rate Area 012-029, Excluding Redevelopment Factors & Additional Debt Service  
Source: HDL Coren & Cone, Contra Costa County Assessor 2004/05 Annual Tax Increment Tables NC510171622 Page 1  
This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HDL, Coren & Cone.

**CITY OF PLEASANT HILL**  
**TAXABLE SALES BY TYPE OF BUSINESS**  
**FOR FOUR QUARTERS ENDING 6/30/05**

<b>Type of Business</b>	<b>Detail</b>	<b>Summary</b>
General Retail:		\$368,789,500
Apparel Stores	28,937,400	
Department Stores	78,573,700	
Furniture/Appliance	126,212,500	
Drug Stores	9,224,700	
Recreation Products	11,188,000	
Florist/Nursery	9,364,900	
Miscellaneous Retail	105,288,300	
Food Products:		98,023,800
Restaurants	70,485,200	
Food Markets	26,203,500	
Liquor Stores	1,271,300	
Food Processing Equipment	63,800	
Transportation:		52,511,600
Auto Parts/Repair	7,850,100	
Auto Sales	1,203,800	
Service Stations	42,242,500	
Miscellaneous Vehicle Sales	1,215,200	
Construction:		21,038,600
Bldg Materials - Wholesale	4,827,600	
Bldg Materials - Retail	16,211,000	
Business to Business:		66,250,600
Office Equipment	18,594,700	
Electronic Equipment	255,900	
Business Services	1,653,700	
Energy Sales	25,329,300	
Chemical Products	8,622,000	
Heavy Industry	542,700	
Light Industry	10,097,500	
Leasing	1,154,800	
Miscellaneous:		3,119,200
Health & Government	2,320,900	
Miscellaneous Other	798,300	
Totals	<u>\$609,733,300</u>	<u>\$609,733,300</u>

Source: City of Pleasant Hill

CITY OF PLEASANT HILL  
MISCELLANEOUS STATISTICS  
JUNE 30, 2005

Date of Incorporation	November 14, 1961 (General Law)
Form of Government	Council/Manager
Population	33,638
Area	8.2 square miles
Miles of streets	115
Street lights	2,352
Employees:	
Permanent	121
Part-time and temporary	11
Police protection:	
Sworn officers	41
Nonsworn	21
Property tax rate	0.0499%
Recreation:	
Provided by Pleasant Hill Recreation and Park District:	
Open space acres	207.0
Number of parks owned	11
Number of acres	66.2
Fire protection:	
Provided by Contra Costa Consolidated Fire Protection District:	
Number of stations	2
Number of employees	18
Irrigation water (Diablo Vista Water District):	
Number of customers	474

SOURCE: Various City Records